

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds described herein is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX EXEMPTION" with respect to tax consequences relating to the Bonds.



\$19,685,000
CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01
(PUBLIC FACILITIES AND SERVICES)
SPECIAL TAX BONDS (OYSTER POINT), SERIES 2022

Dated: Delivery Date

Due: September 1, as shown on inside cover page

The City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) Special Tax Bonds (Oyster Point), Series 2022 (the "Bonds") are being issued by City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) (the "District") to: (i) finance the acquisition of certain public improvements supporting the development of property located within the District; (ii) fund a reserve account for the Bonds; (iii) fund capitalized interest on the Bonds through September 1, 2022; and (iv) pay costs of issuance for the Bonds. The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the Government Code of the State of California) (the "Act"), and pursuant to that certain Bond Indenture, dated as of April 1, 2022 (the "Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Bonds are payable from Net Taxes (as defined herein) derived from a certain annual Special Tax (as defined herein) to be levied on taxable parcels within the District and from certain other funds pledged under the Indenture, all as further described herein. The Special Tax is to be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" and Appendix A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2022. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds.

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

The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. See the caption "THE BONDS — Redemption."

Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by the City Attorney of the City, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Quint & Thimmig LLP, Larkspur, California, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery on or about April 21, 2022.

STIFEL

\$19,685,000
CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)
SPECIAL TAX BONDS (OYSTER POINT), SERIES 2022

MATURITY SCHEDULE

BASE CUSIP®† 840000

\$2,730,000 Serial Bonds

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.†</i>
2023	\$ 75,000	4.000%	1.980%	102.697	AA1
2024	100,000	4.000	2.350	103.765	AB9
2025	125,000	4.000	2.680	104.213	AC7
2026	150,000	4.000	2.930	104.347	AD5
2027	175,000	4.000	3.030	104.763	AE3
2028	205,000	4.000	3.150	104.862	AF0
2029	235,000	4.000	3.240	104.938	AG8
2030	265,000	4.000	3.290	105.149	AH6
2031	295,000	4.000	3.330	105.347	AJ2
2032	330,000	4.000	3.370	105.467	AK9
2033	370,000	4.000	3.410	105.110 ^C	AL7
2034	405,000	4.000	3.440	104.842 ^C	AM5

\$935,000 3.750% Term Bonds due September 1, 2036 Yield: 3.920% Price: 98.142 CUSIP No.† AN3

\$5,705,000 4.000% Term Bonds due September 1, 2044 Yield: 4.070% Price: 98.974 CUSIP No.† AP8

\$10,315,000 5.000% Term Bonds due September 1, 2052 Yield: 3.800% Price: 109.911^{CC} CUSIP No.† AQ6

^C Priced to optional redemption date of September 1, 2032 at 100%.

^{CC} Priced to optional redemption date of September 1, 2029 at 103%.

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

**CITY OF SOUTH SAN FRANCISCO
COUNTY OF SAN MATEO, CALIFORNIA**

CITY COUNCIL

Mark Nagales, *Mayor*
Buenaflor Nicolas, *Vice Mayor*
Mark Addiego, *Council Member*
James Coleman, *Council Member*
Eddie Flores, *Council Member*

CITY OFFICIALS

Michael Futrell, *City Manager*
Frank Risso, *Treasurer*
Jason Wong, *Acting Director of Finance*
Sky Woodruff, *City Attorney*
Rosa Govea Acosta, *City Clerk*

BOND AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

KNN Public Finance
Berkeley, California

SPECIAL TAX CONSULTANT

DTA, Inc.
San Jose, California

APPRAISER

Integra Realty Resources
Rocklin, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City and the District. No dealer, broker, salesperson or other person has been authorized by the City, the District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the District, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

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

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget,” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption “OYSTER POINT AND THE DISTRICT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

The City maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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\$19,685,000
CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)
SPECIAL TAX BONDS (OYSTER POINT), SERIES 2022

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) (the “District”) of its Special Tax Bonds (Oyster Point), Series 2022 in the aggregate principal amount of \$19,685,000 (the “Bonds”). The proceeds of the Bonds will be used to: (i) finance the acquisition of certain public improvements supporting the development of property located within the District; (ii) fund a reserve account for the Bonds; (iii) fund capitalized interest on a portion of the Bonds through September 1, 2022; and (iv) pay costs of issuance for the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), a resolution adopted on March 23, 2022, by the City Council of the City of South San Francisco (the “City”), acting as the legislative body of the District, and a Bond Indenture, dated as of April 1, 2022 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as such term is defined herein) and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Indenture.

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined have the meanings set forth in Appendix E.

Oyster Point and the District

General. The District consists of approximately 44 acres of the larger approximately 81-acre bayfront development known as Oyster Point within the City. Oyster Point is located approximately five miles north of the San Francisco International Airport on the western shoreline of the San Francisco Bay. The Oyster Point project is expected to include a new life-science campus, recreation and open space, a non-vehicular trail along the bayfront, a hotel with 350 guest rooms, a conference center, commercial and retail space, and new public infrastructure to serve the foregoing projects.

Development within the District is expected, at full build-out, to include approximately 2.5 million square feet of “Class A” life science office and research and development space across ten buildings, three parking garages, and associated courtyards, plazas, and open space. The first of four planned development phases, Phase 1, is complete, fully leased, and occupied. Phase 1 consists of three buildings totaling approximately 660,000 square feet built over a four-story shared parking facility with approximately 1,190 stalls. Two of the three buildings in Phase 1 are leased and occupied by Stripe, Inc. and the third building is leased and occupied by Cytokinetics Incorporated. Construction of the site work for Phase 2 has commenced. The remaining planned development within the District is expected to occur over several years and is currently estimated to be completed in approximately 2026.

Property within the District is being developed by affiliated entities of Kilroy Realty Corporation, a Maryland corporation, a publicly-traded real estate investment trust (“Kilroy”). Kilroy is the general partner

of, and owns approximately 99% interest in Kilroy Realty, L.P. (“KRLP”). Kilroy conducts substantially all of its operations through KRLP. The current property owners within the District are KR Oyster Point I, KR Oyster Point II, LLC, KR Oyster Point III, LLC and KR Crescent Beach, LLC, each a wholly-owned special purpose entity of KRLP. As used herein, the term “Developer” refers collectively to KRLP and the foregoing entities which own property in the District and other wholly-owned special purpose entities of KRLP, including Kilroy Realty TRS, Inc., and KR Oyster Point Developer, LLC that are parties to one or more of the Project Approval Agreements. See the caption “OYSTER POINT AND THE DISTRICT” for further information with respect to the District, the Developer and development within the District.

Formation Proceedings. The District was formed on March 10, 2021 pursuant to the Act. The Act was enacted to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on January 27, 2021, the City Council adopted Resolution No. 18-2021 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and Resolution No. 19-2021, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$105,000,000 for the purpose of financing the purchase, construction, expansion or rehabilitation of certain public facilities to serve the area within the District.

Subsequent to a noticed public hearing on March 10, 2021, the City Council adopted Resolution Nos. 53-2021 and 54-2021 on March 10, 2021 (collectively the “Resolution of Formation”). The Resolution of Formation: (i) established the District; (ii) authorized the levy of a special tax (the “Special Tax”) within the District; (iii) determined the necessity to incur bonded indebtedness in an amount not to exceed \$105,000,000 within the District; and (iv) called an election within the District on the proposition of incurring bonded indebtedness, levying the Special Tax and setting an appropriations limit.

On March 10, 2021, an election was held within the District in which the property owners within the District approved the proposition authorizing the issuance of bonds in an amount not to exceed \$105,000,000. A Notice of Special Tax Lien for the District was recorded in the office of the County Recorder on March 22, 2021, as Document No. 2021-046010. On March 24, 2021, the City Council adopted Ordinance No. 1620-2021 (the “Ordinance”) which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment approved at the March 10, 2021 election (the “Rate and Method”), a copy of which is attached hereto as Appendix A.

Sources of Payment for the Bonds

Special Taxes. As used in this Official Statement, the term “Special Tax” means the “Special Tax A,” as defined in the Rate and Method, which has been authorized pursuant to the Act and the Rate and Method to be levied upon taxable property within the District. The Rate and Method also authorizes a levy of “Special Tax B” (as defined in the Rate and Method) to fund certain authorized services within the District. Any Special Tax B amounts received by the District are not pledged to and are not available to pay debt service on the Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” See the caption “OYSTER POINT AND THE DISTRICT.”

Under the Indenture, the District has pledged to repay the Bonds and any Parity Bonds (as defined herein) from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the “Net Taxes”) and from other amounts in the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture. The Special Taxes are the primary source of security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein, to the limited extent described in the Indenture. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.”

Annual Debt Service on the Bonds has been sized such that Net Taxes to be derived in each Fiscal Year from the Taxable Property within Phase 1 of the development in the District (which consists of 546,601 square feet of Non-Residential Floor Area (as defined in the Rate and Method)) will equal at least 110% of Annual Debt Service.

Foreclosure Proceeds. The District will covenant in the Indenture for the benefit of the owners of the Bonds and Parity Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and diligently pursue such foreclosure proceedings to completion or the payment of the delinquent amounts; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as: (i) the total delinquency of Special Taxes for such Fiscal Year is less than 5% of the total Special Taxes levied in such Fiscal Year; and (ii) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement; provided further, that the District shall not be obligated to enforce the lien of any delinquent installment of the Special Taxes for any Fiscal Year in which the District shall have received one hundred percent (100%) of the amount of such installment from the County pursuant to the County’s Teeter Plan.. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*” There is no assurance that the property within the District can be sold for the appraised or assessed values described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See the caption “SPECIAL RISK FACTORS —Property Values.”

Teeter Plan. The District participates in the County’s Teeter Plan (as defined herein) pursuant to which the County pays to the District the full amount of Special Taxes levied without any reduction for delinquencies. The Net Taxes (as defined herein) pledged to repay the Bonds do not include any penalties, fees, costs, foreclosure proceeds or delinquent Special Taxes where the County has paid the delinquent installment to the District pursuant to the Teeter Plan. See “SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan” and “SPECIAL RISK FACTORS — Teeter Plan Termination.”

EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS HELD UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.

Appraisal Report

Integra Realty Resources (the “Appraiser”) has conducted an appraisal of certain land and existing improvements within the District to provide an estimate of the market value of the fee simple interest of such land and improvements (the “Appraisal Report”). The Appraisal Report provides an estimate of the approximate market value of the property in the District subject to the levy of Special Taxes, assuming that development of the property as currently planned will consist of approximately 2.5 million square feet of rentable area within four phases, open space and walking paths, various amenities for the project's life science users, and three parking facilities. Based on the definitions, assumptions, and limiting conditions in the

Appraisal Report, the Appraiser concluded that the market value of all of the parcels within the District subject to the Special Tax was \$1,248,200,000 as of November 2, 2021 (the “Date of Value”).

The Appraiser has prepared a Supplement to Appraisal Report (the “Appraisal Supplement”) in which the Appraiser concludes that the estimated market value of the property within the District subject to the levy of the Special Taxes, as of March 11, 2022, was not less than the concluded value as of the Date of Value set forth in the Appraisal Report. See APPENDIX D-2 — “SUPPLEMENT TO APPRAISAL REPORT.”

The Appraisal Report and the Appraisal Supplement are based upon a variety of assumptions and limiting conditions that are described in Appendix D-1 and D-2. The District makes no representation as to the accuracy of the Appraisal or the Appraisal Supplement. See “OYSTER POINT AND THE DISTRICT — Appraisal Report” and “— Estimated Appraised Value-to-Lien Ratios.” There is no assurance that property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by a property owner. See “OYSTER POINT AND THE DISTRICT,” “SPECIAL RISK FACTORS — Property Values” herein and Appendix D-1 and Appendix D-2.

Description of the Bonds

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

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See Appendix H — “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE BONDS — Redemption.” For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see the caption “THE BONDS” and Appendix E — “SUMMARY OF THE INDENTURE.”

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX EXEMPTION.”

Set forth in Appendix C is the form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain tax consequences incident to the ownership of the Bonds, see the caption “TAX EXEMPTION.”

Professionals Involved in the Offering

The Bank of New York Mellon Trust Company, N.A., San Francisco, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) is the Underwriter of the Bonds. KNN Public Finance, Berkeley, California is serving as municipal advisor to the City in connection with the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the City and the District by the City Attorney of the City, for the Underwriter by Quint & Thimmig LLP, Larkspur, California, and for the Trustee by its counsel. Other professional services have been performed by DTA, Inc., San Jose, California, as Special Tax Consultant (the “Special Tax Consultant”) and by Integra Realty Resources, Rocklin, California, as Appraiser.

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

Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate to be executed by the District (the “District Continuing Disclosure Certificate”), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”), maintained on the Internet at <http://emma.msrb.org>, certain annual financial information and operating data and notices of certain enumerated events. These covenants are being made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (“Rule 15c2-12”).

The Underwriter does not consider any of the property owners within the District to be an “obligated person” with respect to the Bonds for purposes of the Rule. Notwithstanding the foregoing, to assist in the marketing of the Bonds, KRLP will agree to provide, or cause to be provided to EMMA, certain updates with respect to the development within the District and notices of certain enumerated events. See Appendix G for a description of the specific nature of the semiannual reports and enumerated event notices to be filed by KRLP.

See “CONTINUING DISCLOSURE,” Appendix F — “FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE” and Appendix G — “FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE.”

Parity Bonds

Under the Indenture, the District may issue additional indebtedness secured by the Net Taxes on a parity with the Bonds (“Parity Bonds”) to finance additional Project Costs and for refunding all or a portion of the Bonds or Parity Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Parity Bonds.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes may also be levied in the future on the property within the District, which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See the caption “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.”

Bond Owners’ Risks

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The

purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors.

Other Information

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

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

Copies of the Indenture and other documents and information are available for inspection and copies may be obtained from the City, 400 Grand Avenue, 2nd Floor, South San Francisco, California, 94080, Attention: City Clerk.

FINANCING PLAN

Estimated Sources and Uses of Funds

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

Sources of Funds	
Principal Amount of Bonds	\$ 19,685,000.00
Plus Net Original Issue Premium	<u>1,079,871.90</u>
Total Sources	<u>\$ 20,764,871.90</u>
Uses of Funds:	
Acquisition and Construction Fund	\$ 18,238,951.06
Interest Account of the Special Tax Fund ⁽¹⁾	320,743.40
Costs of Issuance ⁽²⁾	577,386.60
Reserve Account of the Special Tax Fund	<u>1,627,790.84</u>
Total Uses	<u>\$ 20,764,871.90</u>

⁽¹⁾ Amount to pay the interest due on the Bonds through September 1, 2022.

⁽²⁾ To pay costs of issuance of the Bonds, including legal fees, underwriter’s discount, printing costs, Appraiser, Special Tax Consultant and Trustee fees.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing September 1, 2022 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of such Bond, unless: (i) such date of authentication is an Interest Payment Date, in which

event interest will be payable from such date of authentication; (ii) the date of authentication is after the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day (each, a “Record Date”) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond, in which event interest will be payable from the dated date of such Bond; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on such Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on such Bond, interest on such Bond will be payable from its dated date.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Trustee on the close of business on the Record Date. Principal of, premium, if any, due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Trustee in San Francisco, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC’s procedures and the procedures of DTC’s Participants. See APPENDIX H — “BOOK-ENTRY-ONLY SYSTEM.”

In the event the Bonds are not held in book-entry form, interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books kept by the Trustee. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds or of any issue of Parity Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

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Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming that there are no optional or special mandatory redemptions. See the caption “— Redemption” below. Interest on the Bonds through September 1, 2022 will be paid from capitalized interest.

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2022	-	\$ 320,743.40	\$ 320,743.40
2023	\$ 75,000.00	888,212.50	963,212.50
2024	100,000.00	885,212.50	985,212.50
2025	125,000.00	881,212.50	1,006,212.50
2026	150,000.00	876,212.50	1,026,212.50
2027	175,000.00	870,212.50	1,045,212.50
2028	205,000.00	863,212.50	1,068,212.50
2029	235,000.00	855,012.50	1,090,012.50
2030	265,000.00	845,612.50	1,110,612.50
2031	295,000.00	835,012.50	1,130,012.50
2032	330,000.00	823,212.50	1,153,212.50
2033	370,000.00	810,012.50	1,180,012.50
2034	405,000.00	795,212.50	1,200,212.50
2035	445,000.00	779,012.50	1,224,012.50
2036	490,000.00	762,325.00	1,252,325.00
2037	530,000.00	743,950.00	1,273,950.00
2038	580,000.00	722,750.00	1,302,750.00
2039	625,000.00	699,550.00	1,324,550.00
2040	680,000.00	674,550.00	1,354,550.00
2041	735,000.00	647,350.00	1,382,350.00
2042	790,000.00	617,950.00	1,407,950.00
2043	850,000.00	586,350.00	1,436,350.00
2044	915,000.00	552,350.00	1,467,350.00
2045	980,000.00	515,750.00	1,495,750.00
2046	1,060,000.00	466,750.00	1,526,750.00
2047	1,140,000.00	413,750.00	1,553,750.00
2048	1,230,000.00	356,750.00	1,586,750.00
2049	1,325,000.00	295,250.00	1,620,250.00
2050	1,420,000.00	229,000.00	1,649,000.00
2051	1,525,000.00	158,000.00	1,683,000.00
2052	<u>1,635,000.00</u>	<u>81,750.00</u>	<u>1,716,750.00</u>
Total	\$19,685,000.00	\$19,852,230.90	\$39,537,230.90

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2030 may be redeemed, at the option of the District from any source of funds on any date on or after September 1, 2029, in whole, or in part from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Date</i>	<i>Redemption Price</i>
September 1, 2029 through and including August 31, 2030	103%
September 1, 2030 through and including August 31, 2031	102
September 1, 2031 through and including August 31, 2032	101
September 1, 2032 and any date thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2036 (the “2036 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, on September 1, 2035, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2036 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2036 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2036

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2035	\$ 445,000
2036*	490,000

* Maturity.

The Bonds maturing on September 1, 2044 (the “2044 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, on September 1, 2037, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2044 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2044 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2044

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2037	\$ 530,000
2038	580,000
2039	625,000
2040	680,000
2041	735,000
2042	790,000
2043	850,000
2044*	915,000

* Maturity.

The Bonds maturing on September 1, 2052 (the “2052 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, on September 1, 2045, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2052 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each

redeemed 2052 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2052

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2045	\$ 980,000
2046	1,060,000
2047	1,140,000
2048	1,230,000
2049	1,325,000
2050	1,420,000
2051	1,525,000
2052*	1,635,000

* Maturity.

If the District purchases Term Bonds during the Fiscal Year immediately preceding one of the sinking fund redemption dates specified above, the District will notify the Trustee at least 45 days prior to the redemption date as to the principal amount purchased, and the amount purchased will be credited at the time of purchase to the next Sinking Fund Payment for the Term Bond so purchased, to the extent of the full principal amount of the purchase. All Term Bonds purchased will be cancelled pursuant to the Indenture.

In the event of a partial optional redemption or special mandatory redemption of the Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000.

Special Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to special mandatory redemption as a whole or in part on a pro rata basis among maturities and by lot within a maturity, on any Interest Payment Date on or after September 1, 2022, and will be redeemed by the Trustee, from any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method (the “Prepayments”) deposited to the Redemption Account pursuant to the Indenture, plus amounts transferred from the Reserve Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
Any Interest Payment Date from September 1, 2022 through March 1, 2030	103%
September 1, 2030 and March 1, 2031	102
September 1, 2031 and March 1, 2032	101
September 1, 2032 and any Interest Payment Date thereafter	100

Prepayments and amounts released from the Reserve Account in connection with Prepayments will be allocated to the payment at maturity and redemption of Bonds and any Parity Bonds as nearly as practicable on a proportionate basis based on the outstanding principal amount of the Bonds and any Parity Bonds and such amounts shall be applied to redeem Bonds and Parity Bonds as nearly as practicable on a pro rata basis among maturities in increments of \$5,000; provided, however, that, for Prepayments of less than \$50,000, the District may specify in a Certificate of an Authorized Representative that Prepayments be applied to one or more maturities of the Bonds or Parity Bonds so long as there is delivered to the Trustee a Certificate of the Independent Financial Consultant that, following such application of the Prepayments, the maximum Special

Taxes that may be levied in each Fiscal Year on Taxable Property is not less than 110% of Annual Debt Service in the Bond Year that begins in such Fiscal Year.

See the caption “SPECIAL RISK FACTORS — Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds” for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of Special Taxes or proceeds of bonds of other community facilities districts.

Notice of Redemption. So long as the Bonds are held in book-entry form, notice of redemption will be sent by the Trustee to DTC and not to the Beneficial Owners of the Bonds under the DTC book-entry only system. Neither the District nor the Trustee is responsible for notifying the Beneficial Owners, who are to be notified in accordance with the procedures in effect for the DTC book-entry system. See Appendix H — “BOOK-ENTRY ONLY SYSTEM.”

The Trustee will give notice, in the name of the District, of the redemption of Bonds. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be redeemed; (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (f) state the date of issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Trustee will mail a copy of such notice of redemption, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register, and to the original purchaser of any Bonds; provided, however, so long as the Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The actual receipt by the Owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture will be conclusive as against all parties and no Owner is entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice will be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent not later than the date that notice of redemption is sent to the Owners pursuant to the Indenture to the Depository and to one or more national information services that the Trustee determines are then in the business of disseminating notice of redemption of obligations such as the Bonds. Such notice shall be given by electronically secure means, or any other method agreed upon by such entities and the Trustee.

Upon the payment of the redemption price of any Bonds being redeemed, each check or other transfer of funds issued for such purpose will to the extent practicable bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such

redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if the District determines that such moneys will not be so received on or prior to the redemption date, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. If any condition stated in the redemption notice for an optional redemption shall not have been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds, (iii) the redemption shall not be made, and (iv) the Trustee shall within a reasonable time thereafter give notice to the Persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Selection of Bonds for Redemption. If less than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Trustee shall treat such Bonds as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000. The Trustee shall promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (i) the Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture, anything in the Indenture or in the Bonds to the contrary notwithstanding; (ii) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds shall be paid to the Owners thereof; (iii) as of the redemption date the Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds, or portions thereof, shall cease to bear further interest; and (iv) as of the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

Registration, Transfer and Exchange

Registration. The Trustee will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Trustee.

Transfer or Exchange. Subject to the limitations set forth in the following paragraph, the registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Owner or his or her duly authorized attorney.

Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds for other authorized denominations of the same maturity and issue. The Trustee may not collect from the Owner any charge for any new Bond issued upon any exchange or transfer, but will require the Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds are surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate and deliver a new Bond or Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee is

not required to register transfers or make exchanges of: (i) Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed; or (ii) any Bonds chosen for redemption.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

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

The Special Taxes are the primary source of security for the repayment of the Bonds. Under the Indenture, the District has pledged to repay the Bonds from the Net Taxes (which are Special Tax revenues remaining after the payment of the annual Administrative Expenses in an amount not to exceed the Administrative Expenses Cap (an amount equal to \$50,000 in Fiscal Year 2022-23 escalating annually thereafter at 2.00%) and from amounts held in the Special Tax Fund (other than amounts held in the Administrative Expense Account therein). Special Tax revenues include the proceeds of the annual Special Tax levy received by the District, including any scheduled payments and Prepayments thereof, and the net proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon; but excluding any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of this Indenture, so long as the County has paid to the District the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan.

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

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET TAXES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on March 10, 2021 for the purpose of financing of various public improvements required in connection with the proposed development within the District. At a special election held on March 10, 2021, the qualified electors within the District authorized the District to incur indebtedness in an amount not to exceed \$105,000,000 and the levy of the Special Taxes on property within the District to repay such bonds and to finance the Project Costs. The qualified electors within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

At the special election held on March 10, 2021, the qualified electors within the District also authorized the levy of "Special Tax B" (as defined in the Rate and Method) to fund certain authorized services within the District. Any Special Tax B amounts received by the District are not pledged to and are not available to pay debt service on the Bonds.

The Bonds will be repaid only from annual Net Taxes derived from the levy and collection of Special Taxes pursuant to the Rate and Method. The Rate and Method permits the prepayment of Special Taxes for an Assessor's Parcel, and any such Prepayments will be applied to redeem Bonds and Parity Bonds, if any. The Net Taxes collected from the annual Special Tax levy and the proceeds of any Prepayment have been pledged under the Indenture to the repayment of the Bonds and Parity Bonds.

The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Rate and Method. See "*— Rate and Method of Apportionment of Special Tax*" and Appendix A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." There is no assurance that the Net Taxes will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS — Insufficiency of Special Tax Revenues."

Rate and Method of Apportionment of Special Tax. The Rate and Method applicable to the District is contained in Appendix A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The meaning of the defined terms used in this section are as set forth in Appendix A.

In general, the Rate and Method imposes a different Maximum Special Tax on Taxable Property within the District depending upon whether such Taxable Property is classified as: (i) "Developed Property" (in general, Taxable Property for which a Certificate of Occupancy was issued after January 1, 2021 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied), (ii) "Undeveloped Property" (in general, Taxable Property that is not "Developed Property," "Taxable Property Owner Association Property" or "Taxable Public Property"), (iii) "Taxable Property Owner Association Property" (in general, Property Owner Association Property that would otherwise be exempt from the Special Tax levy but cannot be exempt because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in the Rate and Method), or (iv) "Taxable Public Property" in general, Public Property that would otherwise be exempt from the Special Tax levy but cannot be exempt because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in the Rate and Method).

Under the Rate and Method, the Maximum Special Tax A for each Assessor's Parcel classified as Developed Property is the greater of (i) the amount derived by application of the Assigned Special Tax A and (ii) the amount derived by application of the Backup Special Tax A. For Fiscal Year 2022-23, the Assigned Special Tax A is \$2.04 per square foot of Non-Residential Floor Area. For Fiscal Year 2022-23, the Maximum Special Tax A for each Assessor's Parcel of Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property for CFD No. 2021-01 is \$140,880.36 per Acre. The Assigned Special Tax A for Developed Property and the Maximum Special Tax A for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

The term "Non-Residential Floor Area" is defined in the Rate and Method as the total building square footage of the non-residential building(s) located on an Assessor's Parcel of Developed Property, measured from outside wall to outside wall, not including space devoted to stairwells, public restrooms, lighted courts, vehicle parking and areas incident thereto, and mechanical equipment incidental to the operation of such building. The determination of Non-Residential Floor Area shall be made by reference to the Building Permit(s) issued for such Assessor's Parcel and/or to the appropriate records kept by the City's Building Division, as reasonably determined by the CFD Administrator.

Pursuant to the Rate and Method the District is required to determine the "Special Tax A Requirement" for each Fiscal Year. The Special Tax A Requirement for the District is the amount required in any Fiscal Year to pay: (i) pay debt service on Outstanding Bonds and Parity Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all Bonds and Parity Bonds to the extent such replenishment has not been included in the computation of the Special Tax A Requirement in a previous Fiscal Year, (iii) pay for Administrative Expenses, (iv) pay for

delinquencies reasonably anticipated to occur in the payment of the annual Special Tax A to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Tax A levied in the previous Fiscal Year, (v) pay for previous Fiscal Year's delinquent Special Tax A in excess of the amount included in the previous Fiscal Year's computation under (iv), (vi) at discretion of the City after consultation and agreement of the Developer, to pay directly for construction of Authorized Facilities to the extent that inclusion of this amount does not result in a Special Tax Levy on Undeveloped Property or Taxable Property Owner Association Property, less, (vii) a credit for funds available to reduce the Special Tax A, including, without limitation, Capitalized Interest, as determined by the CFD Administrator, so long as the Special Tax A Requirement is not less than zero.

The Special Tax A Requirement for the District is to be satisfied according to the following steps:

Step 1: Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount necessary to equal (i) the Special Tax A Requirement, or (ii) 100% of the applicable Assigned Special Tax A, whichever occurs first.

Step 2: If additional monies are needed to satisfy the Special Tax A Requirement, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until (i) the total Special Tax A levied pursuant to the first two steps equal the Special Tax A Requirement, or (ii) the Special Tax A levied on Undeveloped Property equals 100% of the Maximum Special Tax A for Undeveloped Property, whichever occurs first.

Step 3: If additional monies are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor's Parcel of Developed Property until (i) the total Special Taxes levied under the first three steps equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Developed Property equal 100% of the Maximum Special Tax A for Developed Property, whichever occurs first.

Step 4: If additional monies are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property until (i) the total Special Taxes levied under the first four steps equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Property Owner Association Property equal 100% of the Maximum Special Tax A for Taxable Property Owner Association Property, whichever occurs first.

Step 5: If additional monies are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until (i) the total Special Taxes levied under the first five steps equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Public Property equal 100% of the Maximum Special Tax A for Taxable Public Property, whichever occurs first.

The Bonds have been sized such that Net Taxes to be derived in each Fiscal Year from the Taxable Property within Phase 1 of the development in the District will equal at least 110% of Annual Debt Service, assuming that the Special Taxes are levied at 100% of the Assigned Special Tax A. Based on development status as of the date of this Official Statement, the District will levy the Special Tax in Fiscal Year 2022-23 on one Assessor's Parcel with a total of 546,601 square feet of Non-Residential Floor Area. The District currently does not expect to levy the Special Tax on Undeveloped Property, however, the District has the ability to do so under the Rate and Method if necessary to meet the Special Tax A Requirement.

Backup Special Tax A Rates. The Backup Special Tax A on an Assessor's Parcel of Developed Property, for a Plot of Land that includes one or more Airspace Parcels, shall equal \$714,108.12 per Acre for Fiscal Year 2022-23. The Backup Special Tax A for an Assessor's Parcel on a Plot of Land with no Airspace Parcels, shall equal \$140,880.36 per Acre for Fiscal Year 2022-23. The Backup Special Tax A shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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

Prepayment of Special Taxes. The Maximum Special Tax obligation may be fully or partially prepaid and permanently satisfied for Assessor's Parcels of Developed Property, or for an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued after January 1, 2021, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. The Prepayment amount is calculated based on the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, Administrative Fees and Expenses and less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any) and less capitalized interest (if any), all as specified in Section H of the Rate and Method attached as Appendix A. Prepayments of Special Taxes will be applied to effect an extraordinary redemption of Bonds and Parity Bonds. See "THE BONDS — Redemption — *Special Mandatory Redemption from Special Tax Prepayments.*"

Estimated Debt Service Coverage. In connection with the issuance of the Bonds, the Special Tax Consultant will certify that the Maximum Special Tax that may be levied in each Fiscal Year on Assessor's Parcels within the District classified as Taxable Property will be at least equal to the sum of: (i) 110% of Maximum Annual Debt Service on the Bonds; plus (ii) the Administrative Expenses Cap. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies.

Levy, Collection and Application of Special Taxes. The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District.

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

The District will make certain covenants in the Indenture which are intended to ensure that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds, Parity Bonds and Administrative Expenses when due.

First, the District will covenant in the Indenture that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

Second, the District will covenant in the Indenture, to the maximum extent that the law permits it to do so, not to initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property not then delinquent in the payment of Special Taxes, in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Third, the District will covenant in the Indenture that, in the event that any initiative is adopted by the qualified electors within the District which purports to reduce the maximum Special Tax below the levels specified in the preceding paragraph or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants. The District can provide no assurance that any such legal action will be successful. See the caption “SPECIAL RISK FACTORS — Proposition 218.”

Fourth, the District will covenant in the Indenture that it will not adopt any policy pursuant to the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

See Appendix E under the caption “COVENANTS AND WARRANTY.”

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See the caption “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.” There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described under the caption “SPECIAL RISK FACTORS.”

Proceeds of Foreclosure Sales. The net proceeds received following a judicial foreclosure sale of property within the District resulting from a property owner’s failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Bonds and any Parity Bonds under the Indenture (but excluding proceeds collected from the sale of property pursuant to the foreclosure provisions of this Indenture, so long as the County has paid to the District the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan).

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Taxes levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a Superior Court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant in the Indenture for the benefit of the owners of the Bonds and any Parity Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and diligently pursue such foreclosure proceedings to completion or the payment of the delinquent amounts; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as: (i) the total delinquency of Special

Taxes for such Fiscal Year is less than 5% of the total Special Taxes levied in such Fiscal Year; and (ii) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement; and provided further that the District shall not be obligated to enforce the lien of any delinquent installment of the Special Taxes for any Fiscal Year in which the District shall have received one hundred percent (100%) of the amount of such installment from the County pursuant to the County’s Teeter Plan. See “ — Teeter Plan.”

The District will covenant in the Indenture that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds, and to bring the amount on deposit in the Reserve Account up to the Reserve Requirement. See APPENDIX E — “SUMMARY OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed unless the foreclosure proceedings produce sufficient net foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See the caption “SPECIAL RISK FACTORS — Enforcement Delays – Bankruptcy.” Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the net proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption “SPECIAL RISK FACTORS — Property Values.” Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Collection of Special Taxes and Flow of Funds. The Special Taxes will be levied and collected by the Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District. When the County apportions Special Taxes to the District, the District will transmit the Special Taxes to the Trustee for deposit in the Special Tax Fund established by the Indenture.

Except for Prepayments, which will be deposited to the Redemption Account of the Special Tax Fund, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates, in the amounts and in the following order of priority, to:

- First: To the Administrative Expense Account in an amount up to the Administrative Expenses Cap.
- Second: To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.
- Third: To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2023, is equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains

unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

- Fourth: To the Redemption Account, the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account, if funded, pursuant to the Indenture; and thereafter, to pay the principal and premium, if any, due in connection with an optional redemption of Bonds or Parity Bonds.
- Fifth: To the Reserve Account of the Special Tax Fund to the extent necessary to replenish the Reserve Account to the Reserve Requirement.
- Sixth: To the Administrative Expense Account of the Special Tax Fund the amount of any Administrative Expenses for the current Bond Year in excess of the Administrative Expenses Cap after the deposits above and any required transfers to the Rebate Fund have been made, or to the extent necessary to collect delinquent Special Taxes.
- Seventh: To the Rebate Fund established by the Indenture to the extent directed by the City pursuant to the Indenture.
- Eighth: To the Surplus Fund established by the Indenture such remaining amounts in the Special Tax Fund after making the foregoing transfers on September 1.

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. The term "Reserve Requirement" is defined in the Indenture to mean, that amount as of any date of calculation, equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any; (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; provided, however, that the Reserve Requirement shall not exceed \$1,627,790.84 except in connection with the issuance of Parity Bonds.

Subject to the limits on the maximum annual Special Tax levy set forth in the Rate and Method and in the Indenture, the District will covenant in the Indenture to levy Special Taxes in an amount sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied: (i) to pay debt service on the Bonds, or any Parity Bonds, including Sinking Fund Payments, to the extent that other monies are not available therefor; (ii) to redeem Bonds or Parity Bonds in the event of prepayment of Special Taxes, to optionally redeem Bonds or Parity Bonds or in connection with a partial defeasance of Bonds or Parity Bonds, in accordance with the Indenture; and (iii) to pay any rebate requirements. See Appendix E under the caption "CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Reserve Account of the Special Tax Fund."

Teeter Plan

General. The District is included in the County's Teeter Plan and, as described below, so long as the Teeter Plan remains in effect with respect to the District, the District will be paid 100% of the amount of Special Taxes levied regardless of whether the County has actually collected the levies. To the extent that the

County's Teeter Plan continues in existence and is carried out as adopted, the County's Teeter Plan may help to protect the Owners of the Bonds from the risk of delinquencies in Special Taxes.

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Section 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. A county benefits from the Teeter Plan by retaining penalties associated with these delinquent taxes when they are paid and the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of the county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Board of Supervisors adopted the Teeter Plan in 1993 and has elected to include in its Teeter Plan special taxes levied in certain community facilities districts, including the District, on the secured roll.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See "SPECIAL RISK FACTORS — Teeter Plan Termination."

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

The District is not aware of any intention on the part of the County, or formal actions taken by the County, to terminate the Teeter Plan, as now in effect in the County. There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression.

Parity Bonds

At the time the District was formed, the qualified electors within the District authorized the District to incur bonded indebtedness in an amount not to exceed \$105 million. After the issuance of the Bonds, the

District may, subject to the provisions of the Indenture, issue Parity Bonds in a principal amount not to exceed \$85,315,000 for purposes other than to refund the Bonds or any Parity Bonds theretofore issued.

The Indenture provides that, upon satisfaction of certain conditions, the District may issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued; provided, however, Parity Bonds may only be issued: (i) for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding, or (ii) for other purposes of the District in a principal amount not to exceed \$85,315,000. Among other conditions, in order to issue Parity Bonds for other than refunding purposes, the District shall have received a Certificate of the Special Tax Administrator certifying that (i) the Maximum Special Taxes that may be levied in each Fiscal Year is not less than 110% of the Annual Debt Service in the Bond Year that begins in such Fiscal Year, plus estimated Administrative Expenses; (ii) the Value of District Property is not less than ten (10) times the sum of Direct Debt for District Property plus Overlapping Debt allocable to all property in the District subject to the Special Tax; and (iii) the Value of Undeveloped Property is at least five (5) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property. For purposes of the foregoing Certificate of Special Tax Administrator, all calculations shall consider the Parity Bonds proposed to be issued to be Outstanding.

Among other conditions, in order to issue Parity Bonds to refund all or a portion of the Bonds or any Parity Bonds, the District shall have received a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds. See Appendix E under the caption "DEFEASANCE AND PARITY BONDS."

OYSTER POINT AND THE DISTRICT

The information about the property in the District contained in this Official Statement has been provided by representatives of the Developer and others, and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City, and the District make no representation as to the accuracy or adequacy of the information contained in this caption. There may be material adverse changes in this information after the date of this Official Statement. Neither the Bonds nor the Net Taxes securing the Bonds and any Parity Bonds are personal obligations of the Developer or any affiliate thereof or any other property owner and, in the event that any property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner or any affiliate thereof. See the caption "SPECIAL RISK FACTORS."

Notwithstanding the belief of the Developer that they will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by the Developer in the District will be available when needed. None of the Developer, or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property as planned by the Developer in the District. Any contributions by the Developer or any other entity or person to fund the costs of its development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by the Developer within the District, the remaining portions of such development may not be completed. The Developer has no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes. See the caption "SPECIAL RISK FACTORS."

Overview of Oyster Point

History. The District consists of approximately 44 acres of the larger 81-acre Oyster Point redevelopment project, located along the western shoreline of San Francisco Bay, approximately five miles north of the San Francisco International Airport.

The Oyster Point redevelopment project includes the areas historically known as the Oyster Point Business Park and the Oyster Point Marina. The Oyster Point Marina area includes a public marina with approximately 600 berths, a ferry terminal for the San Francisco Bay Ferry, providing connectivity via ferry to Oakland, and an approximately 48 acre area immediately adjacent to San Francisco Bay that operated as a City-owned municipal landfill from approximately 1956 to 1970. The City closed the landfill site (“Closed Municipal Landfill”) in the late 1980s and declared Oyster Point a redevelopment site in 1989. Prior to its redevelopment as described below, Oyster Point Business Park had been owned by Oyster Point Ventures, LLC (“Predecessor Developer”) and used for light industrial purposes, including office and research and development. The Predecessor Developer had also owned the privately-owned marina containing approximately 235 berths located on the west side of the Oyster Point Business Park (the “Private Marina”).

A map of Oyster Point appears on the following page.

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OYSTER POINT PROJECT



Oyster Point Redevelopment. In 2011, the City Council approved the Oyster Point Specific Plan (the “Specific Plan”) which set forth goals and design guidelines for the redevelopment of Oyster Point with: (1) a new life-science campus; (2) recreation and open space, including a non-vehicular trail along the bayfront; (3) a future hotel site; and (4) new public infrastructure to serve the foregoing projects. The life science campus is located within the District and is proposed for development of 10 buildings totaling approximately 2.5 million square feet of office/research and development space and associated courtyards and plazas. The recreation and open space includes improvements of bay trails throughout the marina and continuation of current uses of the Oyster Point Marina with cosmetic landscape improvements. The Specific Plan also includes a future hotel with approximately 350 guest rooms, a conference center and retail/restaurant uses.

In addition to the Specific Plan, the City Council took the following actions to allow for the redevelopment of Oyster Point: (i) certified the final environmental impact report and adopted written findings and a mitigation monitoring and reporting program; (ii) approved a general plan amendment; (iii) approved amendments to the Redevelopment Plan for the Downtown/Central Redevelopment Project; (iv) approved the Disposition and Development Agreement dated March 23, 2011 by and among the Predecessor Developer, the Redevelopment Agency of the City of South San Francisco (“Agency”), and the City (with respect to certain portions) (“DDA”); and (v) approved a Transportation Demand Management Plan for the project (collectively, the “Project Approval Agreements”).

In addition, the City Council approved a Development Agreement by and between the City and the Predecessor Developer (“DA”) which provided the Predecessor Developer with a full and vested right to develop the property it owned within Oyster Point along with approximately 18 acres of property previously owned by the City and conveyed to the Predecessor Developer pursuant to the terms of the DDA (the “Conveyed Property”). The Specific Plan, the DA and the Project Approval Agreements control the overall design, development and construction of the Oyster Point project, infrastructure needs, and mitigation measures to eliminate or mitigate environmental impacts of past uses of the Oyster Point property.

Since 2011, the DDA has been assigned to various Developer-related entities and most recently, is assigned to Kilroy Realty TRS, Inc. After the dissolution in 2012 of all redevelopment agencies in the State, including the Agency, the successor agency to the former South San Francisco Redevelopment Agency (the “Successor Agency”) became the obligated party under the DDA.

In August 2016, the Developer acquired the real property owned by the Predecessor Developer (i.e. the Oyster Point Business Park and the Conveyed Property and the Private Marina), and acquired the Predecessor Developer’s rights, interests and obligations under the DDA and DA and the other Project Approval Agreements.

In October 2021, the City Council approved the sale of the hotel site to Ensemble Investments, LLC, a commercial real estate development company. The hotel site is not within the boundaries of the District. Pursuant to agreement between the City and KR Oyster Point Developer, LLC, the City shall cause the conditions of approval and/or other agreement(s) relating to the development of the hotel site to include a provision requiring the private owner of the hotel site to either: (i) annex the hotel site into the District, or (ii) pay an equivalent level of financial support for Special Tax B (as defined in the Rate and Method).

Overview of the District

The District consists of approximately 44 acres planned for the development of a life sciences campus in four phases, the first of which has been completed. At buildout, the District is expected to include approximately 2.5 million square feet of “Class A” office and research and development space (across ten buildings), three parking garages, with associated courtyards and plazas, and recreation and open space. Class A real estate generally encompasses attractive and efficient buildings of high quality that are attractive to tenants, are well-designed and constructed with above-average material, workmanship and finishes and are well-maintained and managed. In comparison to general office space, buildings that are geared toward the life

science industry generally require special features and considerations such as an evaluation of materials to be stored, specialized HVAC and electrical capacity, higher ceiling heights to accommodate specialized equipment, high floor load capacity designed to reduce/minimize vibrations, among others.

The buildings in the District are expected to range from five to nine stories. Currently, the plans call for three parking facilities to serve the life science campus with an estimated total of 5,600 stalls. The first of these facilities, a four-story shared parking facility with 1,190 stalls was completed as part of the Phase 1 buildings. The two remaining parking facilities are planned to be above-ground, ranging from nine to 10 stories. Demolition of existing structures will be needed in connection with the development of Phases 2 through 4. The office buildings and parking facilities within the District will be connected via a network of bikeways, pedestrian pathways, plazas, parks and the bay trail which runs along the perimeter of the bay and the privately owned marina.

Mapping Process

The District currently consists of five assessor parcels created pursuant to Parcel Map No. 86/14-21 recorded in 2017. Phase 1 of the project in the District is located within its own Assessor's Parcel (015-010-950). As part of the development of Phases 2 through 4, the Developer has and will continue to apply for lot line adjustments such that, at buildout, each phase of development will be located within its own Assessor's Parcel (each a "Phased Parcel"). The Developer may, but currently has no plans, to subdivide a Phased Parcel within the District in a manner that results in each building being on its own Assessor's Parcel. Because each building does not have a separate parking structure, the DA has been amended to provide that to the extent that the Developer seeks to subdivide parcels within the boundaries of the District in a manner that results in each building being on its own legal parcel and such new parcel does not have sufficient parking for the building thereon, the Developer shall record appropriate reciprocal easements or other similar instruments to provide all affected buildings with approximately proportionate parking and access rights with respect to the newly created Assessor's Parcel.

Completed Infrastructure for Oyster Point and the District

General. The DDA and other Project Approval Agreements require the construction of certain infrastructure improvements, including, without limitation, those necessary to (i) remediate certain environmental concerns, including repair or replacement of the cap of the Closed Municipal Landfill, (ii) remediate an industrial sump site within the Closed Municipal Landfill, and (iii) to raise the level of certain portions of the perimeter of the area to counteract the projected effects of sea level rise on the property and protect the environment from potential release of contents of the Closed Municipal Landfill. The Developer is nearing completion of the following infrastructure supporting Phase 1, which are referred to in the DDA as "*Phase IC Improvements, Phase IIC Improvements, and Phase ID Improvements*":

Streets and Utilities. The Developer constructed new roadways and sidewalks generally bordering the first phase of development within the District, including reconfiguring certain portions and repaving of Oyster Point Boulevard and Marina Boulevard, extending east through the Oyster Point Marina area. Wet and dry utilities have been installed along such roadways. These roadways provide enhanced site circulation through the first phase of development within the life science campus and the Oyster Point Marina area.

Clay Cap Repair and Raise of Perimeter. As described above, portions of the Oyster Point Marina area was a Closed Municipal Landfill. Pursuant to State regulation, where new development is planned for a closed landfill, layers of soil (i.e. a cap), including a layer which meets certain permeability thresholds, must be placed on the landfill area. Pursuant to the DDA and DA, the Developer repaired a portion of the cap on the Closed Municipal Landfill on both City-owned property and the Conveyed Property and received the requisite approvals as required under California Regional Water Quality Control Board ("RWQCB") Order No. 00-046. Such work involved demolition of surface improvements (i.e. paving), cutting into the existing landfill cap and replacement of the requisite layers of soil meeting State requirements.

Elevation of Property. Due to the projected effects of sea level rise, the Developer raised the level of certain portions of the Closed Municipal Landfill and its perimeter in accordance with RWQCB Order No. 00-046. The property in Phase 1 has been raised and the buildings in Phase 1 have been designed to provide expected protection from the extent of sea level rise anticipated to occur by 2100, based on the publications by the National Research Council of the National Academies. The level to which the property in Phase 1 has been raised is based on the City’s recommended range when designing buildings to accommodate the expected sea level rise for the year 2100.

The property in Phase 1 is above the elevation for a 200-year flood zone and the property in Phases 2 through 4 are expected to be above the elevation for a 200-year flood zone at buildout.

Reconfiguration of Parking Areas at Marina. The Developer demolished and repaved certain parking areas totaling approximately 150,000 square feet in the Oyster Point Marina area. Associated work included installation of new drainage, lighting and landscaping.

Future Hotel Site Demolition. The Developer undertook fine grading and soil compaction of a site located in the Oyster Point Marina area that is proposed for a future hotel in the Specific Plan.

Open Space/Recreation Improvements. Located to the north and east of the intersection of Oyster Point Boulevard and Marina Boulevard is approximately three acres of park/beach. The Developer has completed the grading and landscaping of this area. The Developer has also graded and landscaped the recreation fields located directly adjacent to the first phase of development in the District and completed the paving of the bay trail which runs along the Oyster Point Marina and associated landscaping.

Remediation of Area identified as “Sump 1”. The Closed Municipal Landfill included an area identified as “Sump 1” which prior to the landfill closure, was used to collect liquid waste. The Developer has remediated the area and received the requisite approvals as required under RWQCB Order No. 00-046.

Installation of Methane Mitigation System. State regulations require that appropriate action be taken to mitigate and monitor the effects of landfill gas accumulation (primarily methane) in on-site structures. The Developer completed the installation of a methane mitigation system on the Conveyed Property where certain buildings in Phase 1 are located. The methane mitigation system consists of vapor barrier membranes beneath the structural building slabs, a horizontal collection and venting system installed below the membrane, utility trench cutoffs that will seal the locations where utilities enter the buildings, perimeter cutoff trench to mitigate offsite methane migration, and a gas detection and monitoring system.

New Sewer Pump Station. The Developer completed the construction of a new sewer pump station on City-owned property in the Oyster Point Marina.

Funding of Phase IC, Phase IIC, and Phase ID Improvements. The Developer is nearing completion of the Phase IC, Phase IIC and Phase ID Improvements described above. The DDA allocates the funding of the Phase IC and IIC improvements between the Successor Agency and the Developer. The Successor Agency has funded its share of such costs in the approximate amount of \$28 million. The balance of the costs in the amount of \$42 million for the Phase IC and IIC improvements have been funded by the Developer. The Developer has funded the Phase ID improvements in the amount of \$23 million. The Developer is eligible to be reimbursed for a portion of the costs of the Phase IC and ID improvements from proceeds of the Bonds and any Parity Bonds, to the extent available. See “—Financing Plan” below for a description of the Developer’s financing plan for the project in the District.

The following table shows the estimated costs for the backbone infrastructure and for all four phases of planned development within the District.

DEVELOPER INFRASTRUCTURE BUDGET

	<i>Total Budgeted Costs</i>	<i>Through December 31, 2021</i>	<i>2022⁽¹⁾</i>	<i>2023</i>	<i>2024</i>
Phase 1					
Grading	\$ 10,808,796	\$ 10,542,494	\$ 266,302	--	--
Erosion Control	66,489	61,774	4,715	--	--
Wet Utilities	1,982,693	1,783,380	199,313	--	--
Storm Drainage	631,271	587,808	43,463	--	--
Roadway and Traffic	3,958,402	3,423,018	535,383	--	--
Dry Utilities	5,371,979	4,405,014	933,966	--	--
Landscaping and Irrigation	4,353,975	3,128,436	1,225,539	--	--
Mitigation Fees	90,168	98,542	(8,373)	--	--
Site Structures	1,613,600	1,039,802	573,798	--	--
Soft Costs	8,642,932	7,170,983	1,471,979	--	--
Indirect Costs	2,724,175	2,656,757	67,418	--	--
Refuse	<u>436,705</u>	<u>368,183</u>	<u>68,522</u>	--	--
Phase 1 Subtotal	\$ 40,681,185	\$35,266,160	\$5,415,025	--	--
Phase 2					
Sewer Pump Station (Marina)	839,490	--	--	\$ 839,490	--
Sewer Pump Station No. 1 Relocation	4,165,342	4,165,342	--	--	--
Phase 3 & 4					
Streets & Utilities	22,220,743	--	--	11,110,372	11,110,372
Landscaping and Irrigation	17,029,053	--	--	8,514,527	8,514,527
Phases 2-4 Subtotal	\$ 44,254,628	\$4,165,342	--	\$20,464,388	\$19,624,898
Total	<u>\$ 84,935,813</u>	<u>\$ 39,431,502</u>	<u>\$ 5,415,025</u>	<u>\$ 20,464,388</u>	<u>\$19,624,898</u>

⁽¹⁾ Since January 2022, the Developer has spent approximately \$2.4 million of the \$5.4 million of budgeted costs for 2022.
Source: The Developer.

Future Infrastructure

In addition to the completed infrastructure improvements described above, the DDA describes additional public infrastructure improvements and amenities to be constructed within Oyster Point which, with respect to the property in the District, are primarily the backbone infrastructure necessary to complete Phases 2 through 4 within the District (referred to in the DDA as the “Phase IID – IVD Improvements”). While the DDA does not impose any obligation on the Developer or the Successor Agency to construct the Phase IID – IVD Improvements, such improvements are necessary to achieve buildout within Oyster Point, including the District. Under the DA, as amended, completion of the infrastructure improvements described above under “— Completed Infrastructure for Oyster Point and the District” allowed the Developer to obtain its required permits to commence construction of Phase 2. In or about June 2021, the Developer commenced construction of Phase 2, including such additional infrastructure that is necessary to serve Phase 2 of the development in the District. The Developer expects to complete the backbone infrastructure for Phase 3 and 4 commensurate with the timing of development of such phases. Funding for the Phase IID – IVD Improvements is the Developer’s responsibility, however, the Developer is eligible to be reimbursed for such costs from proceeds of the Bonds and Parity Bonds, to the extent available.

Acquisition Agreement

In connection with the formation of the District, the City and Kilroy Realty TRS, Inc., a wholly-owned special purpose entity of KRLP are parties to an Amended and Restated Acquisition, Construction and Funding Agreement (the “Acquisition Agreement”). Pursuant to the Acquisition Agreement, the City will

purchase from the Developer the infrastructure improvements described under “— Completed Infrastructure for Oyster Point and the District” which are eligible to be financed by the District. The Developer expects to continue to fund such improvements which are not funded from proceeds of the Bonds from other sources as described under “— Financing Plan” below.

Environmental Conditions and Ongoing Monitoring Requirements

The Closed Municipal Landfill was operated between 1956 and 1970, and was used for the disposal of primarily solid wastes. As part of landfill operations, liquid industrial waste was disposed into two sumps, one excavated into the waste fill and the other into native soil. No waste has been disposed of at the site since 1970.

Due to its prior use as a municipal landfill, the Closed Municipal Landfill, including portions of the District, is subject to ongoing monitoring requirements pursuant to RWQCB Order No. 00-046. Order No. 00-046 requires ongoing monitoring of discharge of water leachate and methane release. Under the DDA, the parties thereto agreed that the responsibility for ongoing monitoring and required reporting of water leachate and methane release, as well as the maintenance of equipment relating thereto, are the responsibility of the City and not the Developer. However, under the DDA, the Developer was only required to fund the initial installation of water leachate and methane release monitoring systems on the portion of the District that is part of the Closed Municipal Landfill (i.e. the Conveyed Property made a part of Phase 1). As described above under “— Completed Infrastructure for Oyster Point and the District — *Installation of Methane Mitigation System,*” the Developer has completed the installation of the Methane Mitigation System. See “SPECIAL RISK FACTORS — Hazardous Substances.”

Phases of Development within the District

Pursuant to the DA, each phase of the four planned development phases within the District will have its own “Precise Plan” which guides the development within each phase with respect to building size, design, parking space count, and other items. The Phase 1 Precise Plan was approved in 2011. The Precise Plans for Phases 2-4 were approved by the City Council in March 2020.

Phase 1. Phase 1 of the development in the District is located on approximately 10 acres at the southeastern intersection of Oyster Point Boulevard and Marina Boulevard. Phase 1 is complete with three buildings totaling approximately 550,000 gross square feet built over a shared four-level 1,190 stalls parking facility and shared outdoor meeting space. As described in more detail below, two of the buildings have been leased to Stripe, Inc. and the other building has been leased to Cytokinetics Incorporated. With all three buildings fully leased and occupied, as described below, the Developer considers Phase 1 as part of its stabilized portfolio. Excluding backbone infrastructure and land acquisition costs, the Developer spent approximately \$570 million on direct hard and soft costs to complete Phase 1.

Below are descriptions of the three buildings in Phase 1:

Building A: This building has a street address of 350 Oyster Point Boulevard and is a seven-story steel frame structure with 234,892 rentable square feet and 220,007 gross square feet. Building A has been leased to and is currently occupied by Cytokinetics. The ground floor includes a restaurant that is open to the public, a fitness center and auditorium.

Building B: This building has a street address of 352 Oyster Point Boulevard and is a six-story steel frame structure with 232,215 rentable square feet and 179,524 gross square feet. Building B has been leased to and is currently occupied by Stripe.

Building C: This building has a street address of 354 Oyster Point Boulevard and is a five-story steel frame structure with 193,472 rentable square feet and 147,070 gross square feet. Building C has been leased to and is currently occupied by Stripe.

Leasing Status

Cytokinetics. The Developer has entered into a lease dated July 24, 2019 with Cytokinetics Incorporated (the “Cytokinetics Lease”) for all of the rentable square feet in Building A. Cytokinetics is a publicly traded pharmaceutical company based in the City that develops potential medicines for diseases which impair muscle function. The Cytokinetics Lease is for a term of 12 years commencing in the third quarter of 2021 with two five-year options to renew. The Cytokinetics Lease is a “triple net” lease and under such arrangement, the obligation to pay property taxes, including the Special Taxes, is passed through to the tenant. Failure to pay the rent (which would include the payment of property taxes and the Special Taxes) is a default under the Cytokinetics Lease.

Stripe. The Developer has entered into a lease dated October 23, 2019 with Stripe, Inc. (the “Stripe Lease”) for all of the rentable square feet in Buildings B and C. Stripe is an Irish-American financial services and “software as a service” company dually headquartered in the City and Dublin, Ireland. The Stripe Lease is for a term of 12.5 years, commencing in the fourth quarter of 2021 with two ten-year options to renew. The Stripe Lease is a “triple net” lease and under such arrangement, the obligation to pay property taxes, including the Special Taxes, is passed through to the tenant. Failure to pay the rent (which would include the payment of property taxes and the Special Taxes) is a default under the Stripe Lease.

The following table summarizes certain information relating to the leases within Phase 1.

SUMMARY OF PHASE BUILDINGS

Building Details	Street Address	Number of Stories	Tenant Name	Rentable Square Footage	Non-Residential Floor Area (sq. ft.)⁽¹⁾	Type of Lease	Term of Lease⁽²⁾
Building A	350 Oyster Point Blvd	7	Cytokinetics	234,892	220,007	Triple Net	2033
Building B	352 Oyster Point Blvd	6	Stripe	232,215	179,524	Triple Net	2034
Building C	354 Oyster Point Blvd	5	Stripe	<u>193,472</u>	<u>147,070</u>	Triple Net	2034
Phase 1 Total				660,579	546,601		

⁽¹⁾ The Special Tax is levied on per-square foot basis based on “Non-Residential Floor Area” (as defined in the Rate and Method) which, in turn is based on gross square footage. Rentable square footage differs from gross footage because it includes: (1) certain outdoor common area square feet, (2) significant mechanical equipment areas provided for buildings that are tailored to the life science industry.

⁽²⁾ Does not include options to renew as described above.

Source: DTA, Developer.

Phase 2. Phase 2 of the development in the District is located on approximately 9.8 acres at the northeastern intersection of Oyster Point Boulevard and Marina Boulevard, directly north of Phase 1. Phase 2 is planned for three buildings totaling approximately 865,000 rentable square feet and 776,982 gross square feet and a ten-level stand-alone parking facility with approximately 2,016 stalls. Two of the buildings are planned to be seven stories and the third is planned to be eight stories. Planned amenities for the Phase 2 buildings include outdoor meeting spaces, a fitness center, retail uses, a conference area and an amphitheater.

All discretionary entitlements for the development of Phase 2 have been obtained. In June 2021, the Developer commenced construction of site improvements for Phase 2 and expects to complete construction of Phase 2 in the first half of 2024, with occupancy of the buildings to occur shortly thereafter. The Developer is currently marketing the space within Phase 2, however, no leases have yet been signed. Excluding backbone

infrastructure and land acquisition costs, the Developer estimates that direct hard and soft costs to complete Phase 2 will be approximately \$820 million. Through June 30, 2021, the Developer has spent approximately \$35 million on direct hard and soft costs on Phase 2.

Phase 3. Phase 3 of the development in the District is located on approximately 10 acres located directly north of Phase 2. Phase 3 is planned for two six-story buildings totaling approximately 500,000 rentable square feet and 427,883 gross square feet and a nine-level stand-alone parking facility with approximately 2,356 stalls. The Developer currently estimates that Phase 3 will be complete in 2025/2026, however, commencement of Phase 3 will depend on the Developer's perception of market demand. The Developer does not expect construction commencement of Phase 3 to be contingent on securing tenants for the buildings. The Developer currently estimates direct soft and hard costs to complete Phase 3 to be approximately \$495 million.

Phase 4. Phase 4 of the development in the District is located on approximately 10 acres located directly north of Phase 3. Phase 4 is planned for two buildings totaling approximately 500,000 rentable square feet and 455,224 gross square feet. The Developer currently estimates that Phase 4 will be complete in 2025/2026, however, commencement of Phase 4 will depend on the Developer's perception of market demand. The Developer does not expect construction commencement of Phase 4 to be contingent on securing tenants for the buildings. The Developer currently estimates direct soft and hard costs to complete Phase 4 to be approximately \$527 million.

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The following table summarizes certain aspects of the buildings planned for Phases 2 through 4:

<i>Building</i>	<i>Rentable Square Footage⁽¹⁾</i>	<i>Gross Square Footage⁽¹⁾</i>	<i>Stories</i>
Phase 2			
D	315,000	282,164	8
E	275,000	247,409	7
F	275,000	247,409	7
Phase 3			
G	250,000	215,229	6
H	250,000	212,654	6
Phase 4			
I	250,000	205,762	6
J	250,000	249,462	7

⁽¹⁾ Rentable square footage differs from gross square footage because it includes: (1) certain outdoor common area square feet, (2) significant mechanical equipment areas provided for buildings that are tailored to the life science industry. The Special Tax is levied on per-square foot basis based on “Non-Residential Floor Area” (as defined in the Rate and Method) which, in turn, is based on gross square footage.

Source: the Developer.

The following map depicts the four planned phases of development in the District.

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COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)



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The Developer Entities

Overview. As set forth in the chart below, the Developer entities which currently own property in the District are KR Oyster Point I, Kilroy Oyster Point III, LLC, KR Crescent Beach, LLC and KR Oyster Point II, LLC, which are wholly-owned special purpose entities of KRLP. As described earlier and further below, Kilroy is the general partner of and owns approximately 99% common general partnership interest in KRLP.

Kilroy Oyster Point – Property Ownership

<i>Assessor Parcel</i>	<i>Phase of Development⁽¹⁾</i>	<i>Owner</i>
015-010-950	1	KR Oyster Point I
015-010-910	2-4	Kilroy Oyster Point III, LLC
015-010-940	2-4	KR Oyster Point II, LLC
015-010-240	2-4	Kilroy Oyster Point III, LLC
015-010-930 ⁽²⁾	N/A	KR Crescent Beach, LLC

⁽¹⁾ The Developer has and will continue to apply for lot line adjustments for the parcels in Phases 2 through 4 such that each phase will have its own assessor parcel number.

⁽²⁾ Parcel is the Crescent Park/Beach property located along the shoreline which is expected to be a public park.
Source: the Developer.

Kilroy and KRLP. Kilroy is a self-administered real estate investment trust (“REIT”) active in premier office and mixed-use submarkets along the west coast of the United States. Kilroy is a publicly traded company listed on the New York Stock Exchange under the symbol “KRC.” Kilroy owns, develops, acquires and manages real estate assets, consisting primarily of Class A properties in the coastal regions of greater Los Angeles, San Diego County, the San Francisco Bay Area and greater Seattle. Kilroy is a REIT under the Internal Revenue Code of 1986, as amended (the “Code”). Kilroy currently owns its interests in all of its real estate assets through KRLP (the “Operating Partnership”) and conducts substantially all of its operations through the Operating Partnership.

As of December 31, 2021, Kilroy owned an approximately 99.0% common general partnership interest in the Operating Partnership. The remaining approximate 1.0% common limited partnership interests are owned by non-affiliated investors and certain directors and officers of Kilroy. As the sole general partner of the Operating Partnership, Kilroy exercises exclusive and complete discretion over the Operating Partnership’s day-to-day management and control and can cause it to enter into certain major transactions, including acquisitions, dispositions, and refinancings and cause changes in its line of business, capital structure and distribution policies.

The only material asset of Kilroy is the partnership interests that it holds in the Operating Partnership. As a result, Kilroy generally does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity from time to time and guaranteeing certain debt of the Operating Partnership. Kilroy itself is not directly obligated under any indebtedness, but generally guarantees all of the debt of the Operating Partnership. The Operating Partnership owns substantially all of the assets of Kilroy either directly or through its subsidiaries, conducts the operations of Kilroy’s business and is structured as a limited partnership with no publicly traded equity. Except for net proceeds from equity issuances by Kilroy, which Kilroy generally contributes to the Operating Partnership in exchange for units of partnership interest, the Operating Partnership generates the capital required by Kilroy’s business through the Operating Partnership’s operations, by the Operating Partnership’s incurrence of indebtedness or through the issuance of units of partnership interest.

As of December 31, 2021, Kilroy’s stabilized portfolio was comprised of 120 office properties encompassing an aggregate of approximately 15.5 million rentable square feet and 1,001 residential units.

Kilroy's portfolio spans the major west coast markets of Seattle, the Bay Area, Los Angeles and San Diego. Kilroy has also recently completed their two acquisitions outside of the west coast, in Austin, Texas.

Kilroy is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports, proxy statements, and other information, including financial statements, with the Securities and Exchange Commission (the "SEC"). Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, set forth, among other things, certain data relative to the consolidated results of operations and financial position of Kilroy and its consolidated subsidiaries as of such dates. The SEC maintains a website that contains reports, proxy and other information statements and other information regarding registrants that file electronically with the SEC, including Kilroy. The address of such website is www.sec.gov.

KR Oyster Point I, KR Oyster Point II, KR Oyster Point III and KR Crescent Beach, LLC. KR Oyster Point I, KR Oyster Point II, LLC, KR Oyster Point III, LLC and KR Crescent Beach, LLC are wholly-owned single purpose entities of KRLP and KRLP acts as the manager of each entity. Capital and other contributions to such single purpose entities are made by KRLP and all profits and losses of each entity are allocated to KRLP.

Financing Plan

Through December 31, 2021, the Developer has spent approximately \$928 million (including land acquisition) on the development within Oyster Point, including \$35.3 million on infrastructure costs and \$530 million on direct soft and hard costs on the vertical developments in Phase I within the District. Funding for the projects within Oyster Point, including the District, is through contributions made by Kilroy. As described above, funding for Kilroy's projects is generated through various means including equity issuances, which Kilroy generally contributes to the Operating Partnership in exchange for units of partnership interest, capital generated through the Operating Partnership's operations, incurrence of indebtedness or through the issuance of units of partnership interest. The Developer expects to continue to use such sources of funding and proceeds of the Bonds to complete the development within Oyster Point, including the District.

Notwithstanding the belief of the Developer that it will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by the Developer in the District will be available when needed. None of the Developer or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property owned by the Developer in the District. Any contributions by the Developer or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by the Developer within the District, the remaining portions of such development may not be completed. There is no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes.

COVID-19 (Coronavirus) Pandemic Impact

Impact on Kilroy. As a public company, Kilroy has made numerous disclosures on the impact of the COVID-19 pandemic on company operations of the past two years. Throughout the pandemic, Kilroy has continued to collect the vast majority of office/life science rents and does not expect any material adverse impacts to its financial condition or the Oyster Point project. For Kilroy's most recent disclosure with respect to the impacts of the COVID-19 pandemic on company operations and Kilroy's actions taken in response thereto, see Kilroy's public filings on the SEC's website at www.sec.gov.

Impact on Development in the District. During the COVID-19 pandemic to date, the Developer has continued, its construction activities in the District with certain modifications. The Developer cannot predict the ultimate effects of the COVID-19 outbreak and related public health and governmental authorities' orders

and actions, on their ability to continue to complete the development in the District or the demand for life science office/research and development space. Such effects, if and as they arise, could have a material adverse effect on the ability of the Developer to complete future phases of its project in the District as planned, and no assurance can be provided that the Developer will be able to (a) complete in whole or in any part, or within any particular time, its planned development within the District; or (b) avoid material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals, due to in each case public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise. See “SPECIAL RISK FACTORS — COVID-19 (Coronavirus) Pandemic” herein.

Appraisal Report and Appraisal Supplement

General. The estimated assessed value of the property within the District, as shown on the County’s assessment roll for Fiscal Year 2021-22 is approximately \$401,896,701, reflecting land values and construction in progress as of the January 1, 2021 lien date. A property’s assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the taxable property within the District, the City engaged the Appraiser to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as Appendix D — “APPRAISAL REPORT” to this Official Statement.

The purpose of the Appraisal Report was to estimate the market value of the property within the District subject to the lien of the Special Taxes. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the remaining costs to develop each of the projects within the District provided to the Appraiser by the Developer are correct. As a result, the value conclusions are based upon a hypothetical condition that all improvements and benefits to the District, which are to be funded with the proceeds of the Bonds, are completed and in place. Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of November 2, 2021, the market value of the Taxable Property within the District was \$1,248,200,000. The following table summarizes the appraised value of each phase of development in the District as set forth in the Appraisal Report.

Kilroy Oyster Point – Summary of Appraised Values

<i>Phases of Development⁽¹⁾</i>	<i>Appraised Values</i>
1	\$869,800,000
2-4	<u>378,400,000</u>
Total	\$1,248,200,000

Source: the Appraiser.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D. The City, the Underwriter and the District make no representation as to the accuracy of the Appraisal Report. There is no assurance that the property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the landowner. See “SPECIAL RISK FACTORS — Property Values,” Appendix D — “APPRAISAL REPORT.”

San Francisco Region Life Sciences Market. The Appraisal Report observes that the San Francisco Bay Area is a prominent life science cluster, second to only the Cambridge/Boston market and above the San Diego cluster (ranked third in the United States). Market activity declined, particularly for office product, following the onset of the pandemic as employers implemented remote working solutions and companies put growth plans on hold. However, demand for research and development product has been less impacted than office product, sustained by the thriving life science industry. The Appraisal Report observes that the San Francisco Bay Area life sciences market has been strengthening since the onset of the COVID-19 pandemic, as the public health crisis spurred additional interest in the biotechnology and health sciences sectors. Supply in the San Francisco Bay Area remains constrained, particularly in the desirable South San Francisco submarket, and there are multiple new construction and conversion proposal in the development pipeline over the next several years. Rents have also been increasing in the South San Francisco submarket, and the majority of new construction is preleased prior to delivery. The Appraiser expects these trends to continue in the near future, and the long term outlook for the life sciences industry remains positive.

Valuation Method. In valuing the Taxable Property in the District, the Appraiser first applied an income capitalization approach to determine the market value of the four phases of planned development as if complete and stabilized. The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The Appraiser used a direct capitalization method under which a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication.

The Appraiser then applied an extraction analysis to determine the market value of Phase I and of the land associated with Phases 2 through 4. An extraction analysis takes into account revenue, direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of land value. The Appraiser applied the extraction analysis for each of the four planned phases of development in the District.

Finally, in order to estimate the market value of Phases 2 through 4 of the development in the District, in bulk, the Appraiser applied the subdivision development method. The subdivision development method is a discounted cash flow analysis in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. This method takes into account the expected revenue, absorption period, expenses and discount rate associated with the sell-off of the holdings.

Based on the foregoing methods and the definitions, assumptions, and limiting conditions in the Appraisal Report, the Appraiser concluded that the market value of all of the parcels within the District subject to the Special Tax was \$1,248,200,000 as of the Date of Value.

Appraisal Supplement. The Appraiser has also prepared the Appraisal Supplement, in which the Appraiser concludes that the estimated minimum market value of the property within the District subject to the levy of Special Taxes as of March 11, 2022, was not less than the concluded value of \$1,248,200,000 set forth in the Appraisal Report. In connection with the preparation of the Appraisal Supplement, the Appraiser analyzed market data presented in the Appraisal Report and current market conditions. The Appraiser did not reinspect the property in connection with the preparation of the Appraisal Supplement.

Estimated Appraised Value-to-Lien Ratios

The aggregate appraised value of property within the District is \$1,248,200,000. Dividing the aggregate estimate of value by the principal amount of the Bonds results in value to lien ratio of 63.4-to-1 for the District. The appraised value of Phase 1, alone, divided by the principal amount of the Bonds results in a value-to-lien ratio of 44.2-to-1. Table 1 below sets forth the appraised value-to-lien ratio of the Taxable Property within the District based on the appraised values set forth in the Appraisal report and the principal amount of the Bonds. See "SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness."

TABLE 1
CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)
ESTIMATED APPRAISED VALUE-TO-LIEN RATIOS

<i>Existing and Planned Buildings within the District</i>	<i>Acreage</i>	<i>Buildings Planned</i>	<i>Non- Residential Floor Area (sq. ft.)⁽¹⁾</i>	<i>Estimated Fiscal Year 2022-23 Maximum Special Tax A Levy⁽²⁾</i>	<i>Estimated Fiscal Year 2022-23 Special Tax A Levy⁽²⁾</i>	<i>CFD 2021-01 Series 2022 Bonds⁽³⁾</i>	<i>Appraised Value⁽⁴⁾</i>	<i>Appraised Value to Lien Ratio</i>
Developed Property⁽⁴⁾								
Phase 1								
Building A (350 Oyster Point Blvd)	--	1	220,007	\$ 448,814	\$ 448,814	--	--	--
Building B (352 Oyster Point Blvd)	--	1	179,524	366,229	366,229	--	--	--
Building C (354 Oyster Point Blvd)	--	<u>1</u>	<u>147,070</u>	<u>300,023</u>	<u>300,023</u>	--	--	--
Total Phase 1	10.07	3	546,601	\$1,115,066	\$1,115,066	\$19,685,000	\$869,800,000	44.19:1
Undeveloped Property⁽⁴⁾								
Phase 2	9.00	3	--	\$1,267,923	--	--	--	--
Phase 3	10.05	2	--	1,415,848	--	--	--	--
Phase 4	<u>10.05</u>	<u>2</u>	--	<u>1,415,848</u>	--	--	--	--
Total Phases 2-4	29.10	7	--	\$4,099,619	--	--	\$378,400,000	--
Totals	39.17	10	546,601	\$5,214,685	\$1,115,066	\$19,685,000	\$1,248,200,000	63.41:1

(1) The Special Tax is levied on per-square foot basis on Developed Property based on “Non-Residential Floor Area” (as defined in the Rate and Method).

(2) Based on development status as of the date of this Official Statement, only the Assessor Parcel for Phase 1 is expected to be classified as Developed Property for the Fiscal Year 2022-23 Special Tax levy. The District does not currently expect to levy Special Taxes on Undeveloped Property.

(3) Allocated based on the estimated Fiscal Year 2022-23 Special Tax levy.

(4) Based on the Appraisal Report as the of the Date of Value. The Appraisal Report presents the appraised value of the property relating to Phases 2 through 4 in bulk.

Source: DTA, Developer, Appraisal Report.

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in the District and are set forth in Table 2 below (the “Debt Report”). Table 2 does not include entities that only levy or assess fees, charges or special taxes for purposes other than supporting debt. The Debt Report includes the principal amount of the Bonds in addition to the District’s allocable share of outstanding bonds of overlapping jurisdictions. The Debt Report has been derived from data assembled and reported to the District by California Municipal Statistics, Inc. as of March 1, 2022. Neither the District nor the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 2
CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)
OVERLAPPING DEBT SUMMARY

<i>Overlapping District</i>	<i>Percent Applicable</i>	<i>Total Outstanding Bonded Debt</i>
San Mateo Community College District General Obligation Bonds	0.151%	\$ 1,107,343
South San Francisco Unified School District General Obligation Bonds	1.555	2,552,393
City of South San Francisco CFD No. 2021-01 ⁽¹⁾	100.000	<u>19,685,000</u>
Total		<u>\$23,344,736</u>

Source: California Municipal Statistics, Inc.

Delinquency History

Fiscal Year 2022-23 will be the first year in which the Special Tax will be levied. As a result, no historical delinquency information with respect to the Special Tax levy exists. If unpaid, the first and second installments of the Special Tax levy become delinquent on December 10 and April 10, respectively, each year.

SPECIAL RISK FACTORS

The Bonds have not been rated by any rating agency, and the purchase of the Bonds involves significant risks that are not appropriate for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See “— Property Values” below.

Risks of Real Estate Secured Investments Generally

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters

(including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased property tax delinquencies.

No assurance can be given that the property owners within the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “— Enforcement Delays — Bankruptcy” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

As discussed above under the headings “OYSTER POINT AND THE DISTRICT,” the Developer owns a fee interest in all of the Taxable Property within the District. The Developer’s current expectation with respect to the District after completion of each phase of the project therein is to hold such assets as part of the Developer’s portfolio. There is no expectation for ownership of property within the District to be further diversified. As described herein, the Cytokinetics Lease and the Stripe Lease are “triple net” leases and provides that the *ad valorem* taxes and special taxes, including the Special Taxes, are a part the tenant’s rental obligation. However, if and to the extent tenants do not make these payments, the *ad valorem* and special taxes remain an obligation of the property owners. Leases with tenants of the buildings to be constructed in the future phases of the project in the District may be a combination of single, double or triple net leases.

The receipt of the Special Taxes is dependent on the owners of the property in the District paying the Special Taxes when due, and could be adversely affected by the inability to lease property within the District due to commercial downturns or high vacancy rates. Accordingly, the willingness of the property owners to pay the Special Taxes may be dependent, in part, on the success of the proposed projects in the District. Failure of the property owners within the District to pay the annual Special Taxes when due could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the current property owners or their successors will complete the remaining intended construction and development in the District . See “— Failure to Develop Properties.”

While the District does not expect to levy Special Taxes on Undeveloped Property in Fiscal Year 2022-23, the District could levy Special Taxes on Undeveloped Property in future Fiscal Years thereafter to meet the Special Tax A Requirement. Undeveloped Property is defined in the Rate and Method as, in general, Taxable Property that is not “Developed Property,” “Taxable Property Owner Association Property” or “Taxable Public Property.” No assurance can be given that the Developer or any successors will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “— Bankruptcy and Foreclosure” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Insufficiency of Special Tax Revenues

As discussed below, the Special Taxes may not produce revenues sufficient to pay the debt service on the Bonds either due to nonpayment of the amounts levied or because acreage within the District becomes exempt from taxation due to the transfer of title to a public agency.

In order to pay debt service on the Bonds, it is generally necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District has established a Reserve Account under the Indenture to be maintained in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.” The District will covenant in the Indenture to maintain in the Reserve Account an amount equal to the Reserve Requirement, subject, however, to the availability of Net Taxes in amounts sufficient to do so and to the limitation that the District may not levy the Special Tax in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method. See

Appendix A and Appendix E hereto. As a result, if a significant number of Special Tax delinquencies occurs within the District, the District could be unable to replenish the Reserve Account to the Reserve Requirement due to the limitations on the amount of the Special Tax that may be levied. If such defaults were to continue in successive years, the Reserve Account could be depleted and a default on the Bonds could occur.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts, but it is doubtful that they would be upheld as to, for example, property owned by the federal government. If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitation of the Maximum Special Tax, the Special Tax will be reallocated to the remaining taxable parcels within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon their willingness and/or ability to pay the Special Tax. Moreover, if a substantial portion of additional land within the District became exempt from the Special Tax because of public ownership, or otherwise, the Maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due and a default will occur with respect to the payment of such principal and interest.

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

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds (if the Reserve Account has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City on behalf of the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to limitations described above under the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — Rate and Method of Apportionment of Special Tax,” to provide an amount required to pay interest on and principal of the Bonds, and the amount, if any, necessary to replenish the Reserve Account to an amount equal to the Reserve Requirement, and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the Maximum Special Tax rates. See “— Enforcement Delays — Bankruptcy.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property to be sold at foreclosure if there is no other purchaser at such sale. The Act and the Indenture do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained.

Prior to July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such

foreclosure sales has been repealed. However, a period of 20 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the District), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation, which repeals the one year redemption period, has not been tested and there can be no assurance that, if tested, such legislation will be upheld. (Section 701.680 of the Code of Civil Procedure of the State.)

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. No assurance can be given that the efforts of the City to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City, or the administration of the Bonds. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Impacts of Coronavirus on City

Since mid-March 2020, based on guidance and directives from the State and public health agencies, the City, the County and other public agencies within the County have undergone varying degrees of closure and limited reopening of public buildings and businesses in an effort to minimize the spread of strains of coronavirus that cause a disease commonly referred to as COVID-19 ("COVID-19").

Additional actions that may be taken by governmental authorities to contain future outbreaks of COVID-19 or other public health crises or to treat its impacts are uncertain. While development activity within the District has continued without material delays since the onset of the COVID-19 outbreak, the impact of the COVID-19 outbreak could adversely impact development within the District in the future, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce becomes infected with COVID-19; (iv) extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions; (vii) the failure of government measures to counteract the economic impact of the pandemic; and (viii) decrease in demand for office space. Any adverse impact of COVID-19 on the District, and the operations, finances and ability of the Developer to complete its development within the District as planned and the real estate market in general cannot be predicted.

Failure to Develop Properties

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the property owners to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous

other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in the District is also subject to the availability of water. Finally, development of land is subject to economic considerations.

Phase 1 is complete and construction of Phase 2 is underway. Phases 3 and 4 have not yet commenced. For purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

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

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

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

The District will not levy Special Taxes on Undeveloped Property in Fiscal Year 2022-23. The District could levy Special Taxes on Undeveloped Property in future Fiscal Years if necessary to fund the Special Tax A Requirement. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Bondowners should it be necessary for the District to foreclose on Undeveloped Property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the District as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on Undeveloped Property. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of the current property owners, or any successors, to make Special Tax payments on Undeveloped Property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See “— Land Values.”

Property Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District’s only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See “OYSTER POINT AND THE DISTRICT — Appraisal Report and Appraisal Supplement” and Appendix D — “APPRAISAL REPORT.”

The Appraiser has estimated, on the basis of certain assumptions and limiting conditions contained in the Appraisal Report, that as of the Date of Value, the market value of the land and improvements within the District was approximately \$1,248,200,000. See “OYSTER POINT AND THE DISTRICT — Appraisal Report and Appraisal Supplement.” The Appraisal Report indicates the Appraiser’s opinion as to the market value of the properties referred to therein as of the date and under the conditions specified therein. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser’s opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

Prospective purchasers of the Bonds should not assume that the taxable land within the District could be sold for the appraised amount or for the assessed values at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value of the property in the District, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See Appendix D for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser’s assumptions to be untrue could result in a reduction of the value of the taxable land and improvements within the District from the market value estimated by the Appraiser.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*”

Teeter Plan Termination

In 1993, the County implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the District, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County’s Teeter Plan may protect the Owners of the Bonds from the risk of delinquencies in the payment of Special Taxes. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the District would eliminate such protection from delinquent Special Taxes. See “SOURCES OF PAYMENT FOR THE BONDS – Teeter Plan.”

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake, landslide, mudslide, flood or a rise in sea levels as result of climate change, could have an adverse material impact on the District.

All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the City due to the highly active seismic region and the proximity of fault zones. Portions of the City are located above active earthquake faults, heightening the risks associated with seismic events. The peninsula portion of the San Andreas Fault as well as the Northern San Gregorio Fault passes through the County. An earthquake along one of the faults in the vicinity, either known or unknown, could cause extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides and liquefaction.

In the event of a severe earthquake, fire, flood or other natural disaster or impacts of climate change, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the

value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Climate Change and Sea Level Rise

Climate change caused by human activities may have adverse effects on the City, including the District. Climate change can also result in more variable weather patterns, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels.

The Fourth National Climate Assessment, published by the U.S. Global Change Research Program in November 2018 (“NCA4”), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of material cost.

Sea levels are expected to continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like San Francisco are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resources Agency, the Governor’s Office of Planning and Research, and the California Energy Commission) published a report that was formally adopted in March 2018, entitled “Rising Seas in California: An Update on Sea Level Rise Science” (the “Sea Level Rise Report”) to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline.

In March 2020, a consortium of State and local agencies, led by the Bay Conservation and Development Commission, released a detailed study entitled, “Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study,” on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay’s water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine county response, the region’s economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

The District is bordered to the east by the San Francisco Bay and as a result, portions of the District could be directly impacted by sea level rise. In 2014, the City adopted a climate action plan which outlines the options and strategies available to the City to reduce its greenhouse gas emissions and to adapt to challenges posed by increased likelihood of flood events and sea level rise. The City is in the process of updating its Climate Action Plan with more progressive Greenhouse Gas reduction strategies. The City participates in a number of regional collaborations including the San Mateo County Flood and Sea Level Rise Resiliency District (known as One Shoreline) and Sea Change San Mateo County (“Sea Change SMC”). These collaborative efforts are led by the County, with participation by cities within the County and other local stakeholders to educate and assess the risks posed by sea level rise and provide recommendations for adaptation strategies. One result of the Sea Change SMC initiative was the finalization of a San Bruno Creek/Colma Creek Resiliency Study Final Report, which assessed the vulnerability of assets within the lower reaches of the San Bruno Creek and Colma Creek (which runs through the southern portion of the City) to flooding. The resiliency study identified areas within the Colma Creek and San Bruno Creek watersheds which are prone to flooding and provided certain recommendations, including, among others, new floodwalls, tide gates, channel deepening, increased surface detention basins and regional tidal-barrier structures. The District is at an elevation range above special flood hazard areas, typical tidal elevations and the 100-year extreme water level in the San Francisco Bay as identified by the Federal Emergency Management Agency. The City also consults with the U.S. Army Corps of Engineers on two feasibility studies, one studying regional assets along Colma Creek and second, the South San Francisco Shoreline Feasibility Study to provide mitigation strategies against flooding and inundation related to Sea Level Rise along the entirety of the City’s shoreline.

Projections of the impacts of global climate change on the District and the City are complex and depend on many factors that are outside the City’s and the District’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, neither the City nor the District is able to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. The City has implemented certain adaptation strategies to reduce the risk of flooding including construction of additional facilities and open space for the capture of stormwater flows. While the impacts of climate change may be mitigated by the City’s past and future investment in adaptation strategies, neither the City nor the District can give any assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures.

Hazardous Substances

While government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Super Fund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

The Developer has represented to the City that it is not aware of any hazardous substance condition of the property within the District that has not been remediated in order to allow for development in the District to proceed as currently proposed. The District is not aware of the presence of any federally or state classified hazardous substances in violation of any environmental laws, located on the property within the District. However, it is possible that such materials do currently exist and that the District is not aware of them.

As a result of the former use of a portion of the District (primarily within Phase 1) as a municipal landfill, certain remediation work was required in order to develop the property for its current planned use, including a methane mitigation system beneath certain buildings in Phase 1. In addition, the City is obligated to conduct ongoing monitoring is required for water leachate and methane release as a result of such former use of the property and maintenance of equipment relating thereto. No assurances can be made that such systems will detect or prevent any further contamination. See “OYSTER POINT AND THE DISTRICT — Environmental Conditions and Ongoing Monitoring Requirements” above.

It is also possible that property in the District may be liable for hazardous substances in the future as a result of the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or the existence, currently, on the property of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could have the effect of reducing the value of the applicable property.

Enforcement Delays – Bankruptcy

In the event of a delinquency in the payment of the Special Taxes, the District is required to commence enforcement proceedings under the circumstances described under the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*” However, prosecution of such proceedings could be delayed due to crowded local court calendars or by bankruptcy, insolvency and other laws generally affecting creditors’ rights (such as the Soldiers’ and Sailors’ Relief Act of 1940) and by the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a person or entity with an interest in the applicable property could result in a delay in the enforcement proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could increase the likelihood of delay or default in payment of the principal of and interest on the applicable Bonds. The various legal opinions to be delivered in connection with the issuance of the Bonds, including Bond Counsel’s approving legal opinion, are qualified as to the enforceability of the Bonds and the Indenture by reference to bankruptcy, reorganization, moratorium, insolvency and other laws affecting the rights of creditors generally or against public entities such as the District.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See APPENDIX E — “SUMMARY OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See “— FDIC/Federal Government Interests in Parcels” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Parcels

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal

Deposit Insurance Corporation (the “FDIC”), or other federal government entities such as Fannie Mae or Freddie Mac, has or obtains an interest.

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

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

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution “this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding.” In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “—Insufficiency of Special Tax Revenues.”

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

Direct and Overlapping Indebtedness

The ability of an owner of property within the District to pay the applicable Special Taxes could be affected by the existence of other taxes and assessments imposed upon taxable parcels. The City and other public agencies whose boundaries overlap those of the District could impose additional taxes or assessment liens on the property within the District in order to finance public improvements or services to be located or provided inside of or outside of such area. The lien created on the property within the District through the levy of such additional taxes may be on a parity with the lien of the Special Taxes applicable to the property within the District.

The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of property owners to pay the Special Taxes and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes.

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

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

No Acceleration Provision

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

Limited Obligations

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

The District's legal obligations with respect to any delinquent Special Taxes are limited to: (i) payments from the Reserve Account to the extent of funds on deposit therein; and (ii) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*" The Bonds cannot be accelerated in the event of any default.

The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to such liens. See the caption "— Payment of the Special Tax is Not a Personal Obligation of the Property Owners." Enforcement of Special Tax payment obligations by the District is limited to judicial foreclosure in the Superior Court of California, County of San Mateo. There is no assurance that any current or subsequent owner of a parcel subject to the Special Tax lien

will be able to pay the amounts due or that such owner will choose to pay such amounts even though financially able to do so.

Failure by owners of the parcels to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the District to sell parcels that have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the District to make full or timely payments of debt service on the Bonds, which may in turn result in the depletion of the Reserve Account. See the caption “— Enforcement Delays — Bankruptcy.”

Ballot Initiatives

Articles XIII A, XIII B, XIII C, and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to the State’s constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, or other local agencies to increase revenues or to increase appropriations.

Proposition 218

An initiative measure entitled “The Right to Vote on Taxes Act” (“Proposition 218”) was approved by the voters at the November 5, 1996 statewide general election. Among other things, Proposition 218 added a new Article XIII C to the California Constitution which states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. While the application of Proposition 218 in this context has not yet been interpreted by the courts and the matter is not completely free from doubt, it is not likely that Proposition 218 has conferred on the voters the power to effect a repeal or reduction of the Special Tax if the result thereof would be to impair the security of the Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the future levy of Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. The District also will covenant that, in the event an initiative is adopted which purports to reduce or otherwise alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

Litigation with Respect to Community Facilities Districts

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

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

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

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

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

The superior court’s final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Taxes, or the Bonds. The City of Sacramento did not appeal the superior court’s ruling.

The Special Tax Election in the District. With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the District had less than 12 registered voters at the time of the election to authorize the Special Taxes. In the San Diego Decision, the court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the court’s holding in the San Diego Decision does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any “action or

proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Voters in the District approved Special Tax on March 10, 2021. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, the District believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix C.

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” interest on the Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the District or the City. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

No Ratings – Limited Secondary Market

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

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

Limitations on Remedies

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

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds

Subject to the requirements in the Rate and Method, property owners within the District are permitted to prepay their Special Taxes at any time. Such prepayments could also be made from the proceeds of bonds

issued by or on behalf of an overlapping community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption “THE BONDS — Redemption — *Special Mandatory Redemption from Special Tax Prepayments.*”

CONTINUING DISCLOSURE

District Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate, dated as of April 1, 2022 (the “Disclosure Certificate”), to be executed and delivered by the District at the time of issuance of the Bonds, the District will covenant for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by March 31 following the end of the District’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “Annual Report”), commencing with the report for the Fiscal Year ending June 30, 2022, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix F — “FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12.

The District has not been subject to any continuing undertakings under the Rule 15c2-12 in the last five years.

Developer Continuing Disclosure

The Underwriter does not consider any of the entities owning property in the District to be an “obligated person” with respect to the Bonds for purposes of the Rule. Notwithstanding the foregoing, to provide updated information with respect to the development within the District, KRLP will execute a Continuing Disclosure Certificate of the Developer (the “Developer Continuing Disclosure Certificate”) pursuant to which it will covenant to provide semiannual reports until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. The semiannual reports to be provided by KRLP will contain updates regarding the development within the District as outlined in Section 4 of the Developer Continuing Disclosure Certificate attached as APPENDIX G. In addition to its semiannual reports, KRLP will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Certificate. KRLP’s obligations under the Developer Continuing Disclosure Certificate will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all of the Bonds; (b) the Developer provides a certificate to the District that no additional bonds or obligations secured by Net Taxes in the District will be issued to finance additional public improvements and 85% or more of the Non-Residential Floor Area (as defined in the Rate and Method) of the buildings for which certificates of occupancy have been issued are subject to executed leases with tenants; or (c) 85% or more of the Non-Residential Floor Area of the planned buildings within the District are subject to executed leases with tenants.

KRLP has not been subject to any continuing obligations undertakings in connection with the offering of municipal securities within the last five years.

TAX EXEMPTION

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax

preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

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

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

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

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

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR

INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District and the City continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

LEGAL OPINION

The legal opinion of Bond Counsel approving the validity of the Bonds, in substantially the form set forth as Appendix C hereto, will be made available to purchasers of the Bonds at the time of original delivery of the Bonds. Certain legal matters will be passed upon for the City and the District by the City Attorney of the City, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Quint & Thimmig LLP, Larkspur, California, and for the Trustee by its counsel. Bond Counsel undertakes no responsibility to the purchasers of the Bonds for the accuracy, completeness or fairness of this Official Statement.

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the City Attorney will deliver an opinion to the effect that, to their actual knowledge, after due inquiry and investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, or any unfavorable decision, ruling or finding, against or affecting the District, which would adversely impact the District's ability to complete the transactions described in, or contemplated by, the Indenture or this Official Statement, restrain or enjoin the collection of the Special Taxes, or in any way contest or affect the validity of the Bonds, the Indenture, the Special Taxes, or the transactions described herein.

NO RATING

The District has not made, and does not contemplate making, an application to any rating organization for the assignment of a rating on the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$20,587,485.30 (being the \$19,685,000.00 aggregate principal amount of the Bonds, less an Underwriter’s discount of \$177,386.60 and plus net original issue premium of \$1,079,871.90). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter’s compensation is contingent upon the successful issuance of the Bonds.

The Underwriter has entered into an agreement with its affiliate, Vining-Sparks IBG, LLC for the distribution of certain municipal securities offerings at the original issue price. Pursuant to that distribution agreement, Vining-Sparks may purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that Vining-Sparks sells.

Under certain circumstances, the Underwriter may offer and sell the Bonds to certain dealers and others at prices lower or yields higher than those stated on the page immediately following the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

The fees being paid to the Underwriter and its counsel, Bond Counsel, Disclosure Counsel and the Trustee are contingent upon the issuance and delivery of the Bonds. From time to time, Stradling Yocca Carlson & Rauth, a Professional Corporation, represents the Underwriter on matters unrelated to the Bonds.

MUNICIPAL ADVISOR

The District has retained KNN Public Finance, Berkeley, California, as Municipal Advisor for the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

KNN Public Finance, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

MISCELLANEOUS

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

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

The execution and delivery of this Official Statement by the City Manager of the City has been duly authorized by the City Council of the City acting in its capacity as the legislative body of the District.

CITY OF SOUTH SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)

By: /s/Charles Michael Futrell
City Manager of the City of South San Francisco

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

**CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01
(PUBLIC FACILITIES AND SERVICES)
CITY OF SOUTH SAN FRANCISCO, COUNTY OF SAN MATEO
STATE OF CALIFORNIA**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property in the City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services), City of South San Francisco, County of San Mateo, State of California ("CFD No. 2021-01") and collected each Fiscal Year commencing in Fiscal Year 2021-2022, in an amount determined by the City Council through the application of the appropriate Special Tax, as described below. All of the real property in CFD No. 2021-01, unless exempted by law or by the provisions hereof, shall be taxed for these purposes, to the extent and in the manner herein provided.

A DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2021-01, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or any designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2021-01, or any designee thereof of complying with arbitrage rebate requirements, or responding to questions, or investigations, from the Securities and Exchange Commission ("SEC") or the Internal Revenue Service ("IRS") pertaining to any CFD No. 2021-01 Bonds or any audit of any CFD No. 2021-01 Bonds by the SEC or IRS; the costs to the City, CFD No. 2021-01, the Trustee, or any designee thereof of complying with the City, CFD No. 2021-01, or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2021-01, or any designee thereof related to an appeal of the levy of application of the Special Tax; the costs associated with the release of funds from an escrow account; and City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2021-01 for any other administrative purposes of CFD No. 2021-01, including, but not limited to, attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Airspace Parcel" means a parcel with an assigned Assessor's Parcel number that constitutes vertical space on a Plot of Land.

“Assessor’s Parcel” or **“Parcel”** means a lot or parcel, including an Airspace Parcel, shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax A” or **“Assigned Special Taxes”** means the Special Tax A for Developed Property, as determined in accordance with Section C.1.a.ii below.

“Authorized Facilities” means those facilities eligible to be funded by CFD No. 2021-01, as defined in the Resolution of Formation.

“Authorized Services” means those services eligible to be funded by CFD No. 2021-01, as defined in the Resolution of Formation and authorized to be financed by CFD No. 2021-01 pursuant to Section 53313 and Section 53313.5 of the Act. CFD No. 2021-01 shall finance Authorized Services only to the extent that they are in addition to those already being provided in the territory of CFD No. 2021-01 before the CFD was created and such Authorized Services may not supplant services already available within the territory of CFD No. 2021-01 when the CFD was created.

“Backup Special Tax A” means the Backup Special Tax A applicable to an Assessor’s Parcel of Developed Property, as determined in accordance with Section C.1.a.iii below.

“Building Permit” means a permit issued by the City or other governmental agency for the vertical construction of a non-residential building or buildings on an Assessor’s Parcel, which shall not include a separate permit issued for construction of the foundation.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Outstanding Bonds.

“Certificate of Occupancy” means a certificate of occupancy issued by the City permitting the use of a non-residential building or buildings on an Assessor’s Parcel.

“CFD Administrator” means an official of CFD No. 2021-01, or any designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 2021-01” means City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services), City of South San Francisco, County of San Mateo, State of California.

“CFD No. 2021-01 Bonds” means any bonds or other debt as defined in Section 53317(d) of the Act, whether in one or more series, issued by CFD No. 2021-01 under the Act.

“City” means the City of South San Francisco, California.

“City Council” means the City Council of the City.

“County” means the County of San Mateo.

“Developed Property” means, all Assessor’s Parcels of Taxable Property for which a Certificate of Occupancy was issued after January 1, 2021 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

“Developer” means KR Oyster Point III, LLC, a Delaware limited liability company and its successors and assigns.

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

“Indenture” means the indenture, trust agreement, fiscal agent agreement, resolution, or other instrument pursuant to which CFD No. 2021-01 Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

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

“Maximum Special Tax A” means, for each Fiscal Year, the maximum Special Tax A, determined in accordance with Section C, below, that can be levied on any Assessor’s Parcel.

“Maximum Special Tax B” means, for each Fiscal Year, the maximum Special Tax B, determined in accordance with Section C, below, that can be levied on any Assessor’s Parcel.

“Non-Residential Floor Area” means the total building square footage of the non-residential building(s) located on an Assessor’s Parcel of Developed Property, measured from outside wall to outside wall, not including space devoted to stairwells, public restrooms, lighted courts, vehicle parking and areas incident thereto, and mechanical equipment incidental to the operation of such building. The determination of Non-Residential Floor Area shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel and/or to the appropriate records kept by the City’s Building Division, as reasonably determined by the CFD Administrator.

“Outstanding Bonds” means all CFD No. 2021-01 Bonds which remain outstanding under the Indenture.

“Plot of Land” means with respect to an Assessor’s Parcel, the entire physical land area described on the Assessor’s Parcel Map on which such Assessor’s Parcel is identified.

“Property Owner Association Property” means, for each Fiscal Year, any Assessor’s Parcel, or part thereof, within the boundaries of CFD No. 2021-01 that is owned by or irrevocably offered for dedication to a property owner association, including any such property used as a garage located directly under a non-residential structure.

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

“Public Property” means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2021-01 that is owned by or irrevocably offered for dedication to the Federal government, the State, the City, or any other public agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act, as such section may be amended or replaced, shall be taxed and classified as Developed or Undeveloped Property; or (ii) any property within the boundaries of CFD No. 2021-01, that is encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

“Rate and Method of Apportionment” or **“RMA”** means this Rate and Method of Apportionment of Special Tax.

“Resolution of Formation” means the resolution forming CFD No. 2021-01.

“Special Tax” or **“Special Taxes”** means the special tax or special taxes to be levied in each Fiscal Year on each Assessor’s Parcel to fund the Special Tax Requirement.

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

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

“Special Tax Levy” or **“Special Tax Levies”** means the total Special Tax, net of any applicable debits or credits for other existing and related Community Facilities Districts as per agreement between the City and Developer, to be listed on the property tax rolls and levied for each Assessor’s Parcel of Taxable Property in a given Fiscal Year to fund the Special Tax Requirement for Facilities and the Special Tax Requirement for Services.

“Special Tax Requirement for Facilities” or **“Special Tax A Requirement”** means that amount of Special Taxes required, if any, in any Fiscal Year to (i) pay debt service on Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all CFD No. 2021-01 Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement for Facilities in a previous Fiscal Year, (iii) pay for Administrative Expenses, (iv) pay for delinquencies reasonably anticipated to occur in the payment of the annual Special Tax A to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Taxes for Facilities levied in the previous Fiscal Year, (v) pay for previous Fiscal Year’s delinquent Special Tax A in excess of the amount included in the previous Fiscal Year’s computation under subsection (iv), (vi) at discretion of the City after consultation and agreement of the Developer, to pay directly for construction of Authorized Facilities to the extent that inclusion of this amount does not result in a Special Tax Levy on Undeveloped Property or Taxable Property Owner Association Property, less, (vii) a credit for funds available to reduce the Special Tax A, including, without limitation, Capitalized Interest, as determined by the CFD Administrator, so long as the Special Tax A Requirement is not less than zero.

“Special Tax Requirement for Services” or **“Special Tax B Requirement”** means that amount required in any Fiscal Year for CFD No. 2021-01 to: (i) pay directly for all Authorized Services, including maintenance and reserves for maintenance of any Authorized Facilities; (ii) pay Administrative Expenses not funded through the Special Tax Requirement for Facilities as determined by the CFD Administrator; (iii) pay for delinquencies reasonably anticipated to occur in the payment of the annual Special Tax B to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Tax B levied in the previous Fiscal Year; (iv) pay for previous Fiscal Year’s delinquent Special Tax B in excess of the amount included in the previous Fiscal Year’s computation under subsection (iii); less (v) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator after consultation with the City.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2021-01 which are not exempt from the Special Tax pursuant to law or Section E below.

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

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E herein.

“Undeveloped Property” means, for each Fiscal Year, all Assessor’s Parcels of Taxable Property which are not Developed Property, Taxable Property Owner Association Property, or Taxable Public Property.

B ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor’s Parcels within CFD No. 2021-01 shall be classified by the CFD Administrator as Developed Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property, and shall be subject to annual Special Taxes in accordance with this Rate and Method of Apportionment as determined by the CFD Administrator pursuant to Sections C and D below. The CFD Administrator’s allocation of property to each type of land use class identified above shall be conclusive and binding.

C MAXIMUM SPECIAL TAX RATE

Prior to sixty (60) days before the issuance of a first series of CFD No. 2021-01 Bonds, the Maximum Special Tax A on Developed Property and Undeveloped Property (set forth in Section C.1 below) may be reduced in accordance with, and subject to the conditions set forth in this Section C without the need for any proceedings to make changes as permitted under the Act. At that time, if it is reasonably determined by the City and CFD Administrator that the current Maximum Special Tax A on Developed Property is greater than required to provide 110% debt service coverage on expected future CFD No. 2021-01 Bonds plus Administrative Expenses, the Maximum Special Tax A on Developed Property may be reduced to the minimum amount necessary to provide 110% debt service coverage on expected future CFD No. 2021-01 Bonds plus Administrative Expenses without need for any additional proceedings. Furthermore, if appropriate, the City and CFD Administrator may reduce the Maximum Special Tax A for Undeveloped Property to the minimum amount necessary to allow CFD No. 2021-01 to collect the Maximum Special Tax A equal to 110% debt service coverage on expected future CFD No. 2021-01 Bonds plus Administrative Expenses.

The reductions permitted pursuant to the preceding paragraph shall be reflected in an amended notice of Special Tax lien which the City and CFD Administrator shall cause to be recorded after executing a certificate in substantially the form attached herein as Exhibit “A.”

C.1 Special Tax A

C.1.a Developed Property

C.1.a.i Maximum Special Tax A

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

C.1.a.ii Assigned Special Tax A

The Assigned Special Tax A in Fiscal Year 2021-2022 for each Assessor’s Parcel classified as Developed Property is shown in Table 1 below.

Table 1: Assigned Special Tax A for Developed Property for Fiscal Year 2021-2022

Description	Assigned Special Tax
Developed Property	\$2.00 per square foot of Non-Residential Floor Area

C.1.a.iii Backup Special Tax A

The Backup Special Tax A on an Assessor’s Parcel or Developed Property, for a Plot of Land that includes one or more Airspace Parcels, shall equal \$700,106 per Acre. The Backup Special Tax A for an Assessor’s Parcel on a Plot of Land with no Airspace Parcels, shall equal \$138,118 per Acre.

Furthermore, all Assessor’s Parcels within CFD No. 2021-01 shall be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax A if the CFD Administrator calculates that (i) the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Tax A that could be levied against all Assessor’s Parcels of Developed Property in CFD No. 2021-01, results in 110% debt service coverage (i.e., the Assigned Special Tax A that could be levied against all Developed Property in CFD No. 2021-01 in each remaining Fiscal Year based on the then existing development is at least equal to the sum of (a) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (b) the Administrative Expenses as defined in Section A herein), and (ii) all authorized CFD No. 2021-01 Bonds have already been issued or the City has covenanted that it shall not issue any additional CFD No. 2021-01 Bonds (except refunding bonds) to be supported by the Assigned Special Taxes in CFD No. 2021-01.

C.1.a.iv Increase in the Assigned Special Tax A and Backup Special Tax A

On each July 1, commencing on July 1, 2022, the Assigned Special Tax A and the Backup Special Tax A shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

C.1.b Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property

The Fiscal Year 2021-2022 Maximum Special Tax A for each Assessor’s Parcel of Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property for CFD No. 2021-01 shall be \$138,118 per Acre, and shall increase annually thereafter, commencing on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

C.2 Special Tax B

C.2.a Developed Property

C.2.a.i Maximum Special Tax B

The Maximum Special Tax B in Fiscal Year 2021-2022 for each Assessor’s Parcel classified as Developed Property is shown in Table 2 below.

Table 2: Maximum Special Tax B for Developed Property for Fiscal Year 2021-2022

Description	Maximum Special Tax B
Developed Property	\$0.35 per square foot of Non-Residential Floor Area

C.2.a.ii Increase in the Maximum Special Tax B

On each July 1, commencing on July 1, 2022, the Maximum Special Tax B for Developed Property shall be increased annually by two (2.00%) percent per Fiscal Year.

C.2.b Undeveloped Property

No Special Tax B shall be levied on Undeveloped Property.

D METHOD OF APPORTIONMENT OF THE SPECIAL TAX

D.1 Special Tax A

Commencing with Fiscal Year 2021-2022 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax A Levy as follows:

First: Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount necessary to equal (i) the Special Tax A Requirement, or (ii) 100% of the applicable Assigned Special Tax A, whichever occurs first.

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

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

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

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

Taxable Public Property equal 100% of the Maximum Special Tax A for Taxable Public Property, whichever occurs first.

Notwithstanding the above, the CFD Administrator or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax A in the first step (above), when (i) the City is no longer required to levy the Special Tax A beyond the first step (above) in order to meet the Special Tax A Requirement; and (ii) all authorized CFD No. 2021-01 Bonds have already been issued or the City has covenanted that it will not issue any additional CFD No. 2021-01 Bonds (except refunding bonds), to be supported by the Special Tax A.

D.2 Special Tax B

Commencing with Fiscal Year 2021-2022 and for each following Fiscal Year, the CFD Administrator shall Proportionately levy the annual Special Tax B on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax B, until the amount of Special Taxes equals the Special Tax B Requirement.

E EXEMPTIONS

E.1 Special Tax A

No Special Tax A shall be levied on Public Property and Property Owner Association Property in CFD No. 2021-01 provided that no such exemption shall reduce the total Acreage of Taxable Property to less than 40 Acres. Tax-exempt status shall be assigned by the CFD Administrator in the chronological order in which property in CFD No. 2021-01 becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel of Public Property or Property Owner Association Property no longer be classified as tax-exempt, it will, from that point forward, be subject to the Special Tax A. Furthermore, any Assessor's Parcel designated as Public Property or Property Owner Association that cannot be exempt from Special Tax A because such exemption would reduce the Acreage of all Taxable Property within CFD No. 2021-01 to less than 40 Acres shall be designated as Taxable Public Property or Taxable Property Owner Association Property.

Prior to sixty (60) days before the issuance of a first series of CFD No. 2021-01 Bonds, the CFD Administrator may increase or decrease the final number of minimum taxable Acres in CFD No. 2021-01 to better reflect the actual tax-exempt acreage within CFD No. 2021-01. However, notwithstanding the above, the final number of taxable Acres in CFD No. 2021-01 shall not be decreased if it causes an increase in the Special Tax A levied on any existing Assessor's Parcel of Developed Property or Undeveloped Property.

E.2 Special Tax B

No Special Tax B shall be levied on Public Property or Property Owner Association. However, should an Assessor's Parcel no longer be classified as Public Property or Property Owner Association Property, such Assessor's Parcel shall, upon each reclassification, no longer be exempt from Special Tax B.

F REVIEW/APPEAL PROCESS

Any taxpayer may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and

advise the appellant of its determination. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has thirty (30) days in which to appeal to the City by filing a written notice of appeal with the clerk of the City, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CFD Administrator's determination. The CFD Administrator may charge the appellant a reasonable fee for processing the appeal.

Interpretations may be made by the CFD Administrator, without Resolution or Ordinance of the City, for purposes of clarifying any vagueness or ambiguity as it relates to the Special Taxes, the Rate and Method of Apportionment, or any other definition applicable to CFD No. 2021-01.

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

G MANNER OF COLLECTION

The Special Tax Levy shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary or otherwise advisable to meet its financial obligations for CFD No. 2021-01, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H PREPAYMENT OF SPECIAL TAX A

Under this Rate and Method of Apportionment, an Assessor's Parcel within CFD No. 2021-01 is permitted to prepay the Special Tax A. The obligation of the owner of an Assessor's Parcel to pay the Special Tax A may be fully or partially prepaid and permanently satisfied as described herein, provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or for an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued after January 1, 2021, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax A obligation shall provide the CFD Administrator with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the CFD Administrator shall notify such owner of the Special Tax Prepayment Amount (defined below) for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. If there are Outstanding Bonds, prepayment must be made not less than thirty (30) days prior to a date that notice of redemption of CFD No. 2021-01 Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax B may not be prepaid.

The following additional definitions apply to this Section H:

"CFD Public Facilities Costs" means either \$69,015,976 in 2021 dollars, which shall increase by the Construction Inflation Index on July 1, 2022, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator in consultation with the Developer as sufficient to provide funding for the Authorized Facilities under the authorized bonding program for CFD No. 2021-01, or (ii) shall be determined by the CFD Administrator concurrently, after consultation with the Developer, with a covenant that it shall not issue any more CFD No. 2021-01 Bonds (except refunding bonds) to be supported by the Special Tax A levy under this Rate and Method of Apportionment.

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

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

“Improvement Fund” means a fund or account specifically identified in the Indenture to hold funds, including pay-as-you-go funds, which are currently available for expenditure to acquire or construct Authorized Facilities.

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

H.1 Prepayment in Full

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

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

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

1. Confirm that no Special Tax A delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, compute the Assigned Special Tax A and Backup Special Tax A for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property for which a Building Permit has been issued after January 1, 2021, compute the Assigned Special Tax A and Backup Special Tax A for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for such Assessor’s Parcel.
3. (a) Divide the Assigned Special Tax A computed pursuant to paragraph 2 by the total estimated Assigned Special Tax A levy for CFD No. 2021-01 based on the Assigned Special Tax A for Developed Property which could be levied, excluding any Assessor’s Parcels which have been prepaid.

- (b) Divide the Backup Special Tax A computed pursuant to paragraph 2 by the total estimated Backup Special Tax A for the entire CFD No. 2021-01, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be redeemed (the "Bond Redemption Amount").
 5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Previously Issued Bonds to be redeemed (the "Redemption Premium").
 6. Compute the current Future Facilities Costs.
 7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
 8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Previously Issued Bonds specified in the report of the Special Tax A Prepayment Amount.
 9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
 10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax A Prepayment Amount, less any interest earnings attributed to the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.
 11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
 12. The administrative fees and expenses of CFD No. 2021-01 are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2021-01 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
 13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Previously Issued Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Previously Issued Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero. No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Previously Issued Bonds is below 100% of the reserve requirement (as defined in the Indenture).
 14. If any Capitalized Interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient

computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment date (the “Capitalized Interest Credit”).

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

H.2 Prepayment in Part

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

$$PP = (PE - A) \times F + A.$$

These terms have the following meaning:

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

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

With respect to any Assessor’s Parcel that is partially prepaid, CFD Administrator shall (i) distribute the funds remitted to it according to Section H.3, and (ii) indicate in the records of CFD No. 2021-01 that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor’s Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor’s Parcel pursuant to Section D.

H.3 General Provisions Applicable to the Prepayment of Special Tax

H.3.a Use of the Special Tax A Prepayment Amount

The Special Tax A Prepayment Amount, less the Administrative Fees and Expenses calculated according to Sections H.1 and H.2 which shall be retained by CFD No. 2021-01, and less the Future Facilities Amount calculated according to Section H.1 which shall be deposited into the Improvement Fund, shall be deposited into specific funds established under the Indenture, to fully or partially redeem as many Outstanding Bonds as possible, and, if amounts are less than \$5,000, to make debt service payments on the Outstanding Bonds (collectively designated as the “Bond Retirement Funds”).

H.3.b Full Prepayment of Special Tax A

Upon confirmation of the payment of the current Fiscal Year’s entire Special Tax A obligation, the CFD Administrator may remove the current Fiscal Year’s Special Tax A levy for such Assessor’s Parcel from the County tax rolls. With respect to any Assessor’s Parcel that is prepaid in accordance

with Section H.1, the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax A and the release of the Special Tax A lien on such Assessor's Parcel, and the obligation to pay the Special Tax A for such Assessor's Parcel shall cease.

H.3.c Debt Service Coverage

Notwithstanding the foregoing, no prepayment of the Special Tax A shall be allowed unless the amount of Special Tax A that may be levied on Taxable Property within CFD No. 2021-01 in each future Fiscal Year (after excluding Taxable Public Property and Taxable Property Owner Association Property as set forth in Section E herein), after the proposed prepayment, is at least equal to the sum of (i) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (ii) the Administrative Expenses as defined in Section A herein.

I TERM OF SPECIAL TAX

Special Tax A shall be levied until the final series of CFD No. 2021-01 Bonds have matured, provided that the Special Tax A shall not be levied after Fiscal Year 2070-2071. The Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on the CFD No. 2021-01 Bonds have been paid and the City has covenanted that it will not issue any more CFD No. 2021-01 Bonds (other than refunding bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

Special Tax B shall be levied in perpetuity.

EXHIBIT A

CERTIFICATE TO AMEND SPECIAL TAX

CFD 2021-01 TAX REDUCTION CERTIFICATE

1. Pursuant to Sections C and D of the Rate and Method of Apportionment, as attached to the Notice of Special Tax Lien, recorded in the Official Records of the County of San Mateo as Instrument No. XXXXXX on MM/DD/YYYY, the City of South San Francisco (the "City") hereby reduces the Assigned Special Taxes for Developed Property within CFD No. 2021-01 set forth in Table 1 of the Rate and Method of Apportionment for CFD No. 2021-01.

The information in Table 1 relating to the Assigned Special Tax A for Developed Property within CFD No. 2021-01 shall be amended and restated in full as follows:

**Table 1: Assigned Special Tax A for Developed Property
CFD No. 2021-01
Fiscal Year 20XX-20XX**

Description	Assigned Special Tax
Developed Property	\$[] per square foot of Non-Residential Floor Area

2. The Backup Special Tax A on an Assessor's Parcel of Developed Property, for a Plot of Land that includes one or more Airspace Parcels, shall equal \$[] per Acre. The Backup Special Tax A for an Assessor's Parcel on a Plot of Land with no Airspace Parcels, shall equal \$[] per Acre.
3. Upon execution of the certificate by the City and CFD No. 2021-01, the City shall cause an amended notice of special tax lien for CFD No. 2021-01 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City and CFD No. 2021-01, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

City of South San Francisco

By: _____

Date: _____

APPENDIX B

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SOUTH SAN FRANCISCO

The following information relating to the City of South San Francisco (the “City”) and the County of San Mateo, California (the “County”), California (the “State”) is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from the sources described in the Official Statement.

Population

The City’s population as of January 1, 2021 was approximately 67,135. This represents an decrease of approximately 0.9 percent from January 1, 2020. The following table shows the population for the City, the County and the State of California from 2017 through 2021.

POPULATION For Years 2017 through 2021

<i>Year (January 1)</i>	<i>City of South San Francisco</i>	<i>County of San Mateo</i>	<i>State of California</i>
2017	67,156	769,401	39,352,398
2018	67,193	770,927	39,519,535
2019	67,070	771,160	39,605,361
2020	67,730	771,061	39,648,938
2021	67,135	765,245	39,466,855

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark*, Sacramento, California, May 2020.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors’ income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes per capita personal income for the City, the County, the State of California and the United States for the years 2010 through 2020. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME⁽¹⁾
City of South San Francisco, County of San Mateo, State of California, and United States
2010-2020

<i>Year</i>	<i>City of South San Francisco</i>	<i>County of San Mateo</i>	<i>California</i>	<i>United States</i>
2010	\$29,118	\$73,327	\$43,249	\$40,690
2011	30,053	79,025	45,574	42,783
2012	30,446	87,241	48,154	44,614
2013	30,523	86,833	48,549	44,894
2014	30,923	92,531	51,332	47,017
2015	32,744	101,261	54,632	48,897
2016	33,120	106,115	56,667	49,812
2017	35,193	116,077	58,942	51,811
2018	36,092	125,332	61,663	54,098
2019	39,547	132,133	64,513	56,047
2020	43,136	141,841	70,192	59,510

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis and the City of South San Francisco.

Employment

The civilian labor force in the City totaled 37,700 in 2021, a 2.6 percent decrease from 2020. For the past five years the unemployment rate in the City and the County has been below the State of California’s rate. The following table summarizes the labor force, employment and unemployment figures from 2017 to 2021 for the City, the County, the State of California and the nation as a whole.

The San Francisco-Oakland-Hayward Metropolitan Statistical Area unemployment rate increased from 2.8% in June 2019 to 12.6% in June 2020 According to a report released by State Employment Development Department, the City’s unemployment rate was 3.8% as of January 2022. See “—Impacts of COVID-19 on City” above.

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LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Years 2017 through 2021

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
<u>2017</u>				
City of South San Francisco	38,400	37,200	1,100	2.9%
San Mateo County	444,900	432,700	12,200	2.7
State of California	19,185,400	18,258,100	927,300	4.8
United States ⁽⁴⁾	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of South San Francisco	39,000	38,000	1,000	2.4%
San Mateo County	448,900	438,800	10,200	2.3
State of California	19,289,500	18,468,100	821,400	4.3
United States ⁽⁴⁾	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
City of South San Francisco	39,900	39,000	900	2.3%
San Mateo County	457,100	447,600	9,600	2.1
State of California	19,409,400	18,612,600	796,800	4.1
United States ⁽⁴⁾	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of South San Francisco	38,700	35,200	3,500	9.1%
San Mateo County	437,800	407,200	30,600	7.0
State of California	18,931,100	16,996,700	1,934,500	10.2
United States ⁽⁴⁾	160,742,000	147,798,000	12,947,000	8.1
<u>2021</u>				
City of South San Francisco	37,700	35,600	2,100	5.7%
San Mateo County	431,200	411,500	19,700	4.6
State of California	18,923,200	17,541,900	1,381,200	7.3
United States ⁽⁴⁾	161,204,000	152,581,000	8,623,000	5.3

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Note: Data is not seasonally adjusted.

Source: California Employment Development Department, based on March 2021 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

The table below summarizes employment by industry in San Mateo County from 2017 to 2021. Service Providing, Professional and Business Services and Trade, Transportation and Utilities are the largest employment sectors in the County.

AVERAGE ANNUAL INDUSTRY EMPLOYMENT 2017-2021
San Mateo County

	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Total Farm	1,900	1,700	1,700	1,600	1,700
Total Nonfarm	1,110,900	1,144,000	1,184,800	1,080,900	1,092,500
Total, All Industries	1,112,700	1,145,800	1,186,500	1,082,500	1,094,200
Goods Producing	81,200	83,400	85,700	80,700	78,500
Natural Resources, Mining and Construction	39,900	42,500	44,600	42,800	41,300
Manufacturing	41,300	40,900	41,100	37,900	37,200
Service Providing	1,029,700	1,060,600	1,099,100	1,000,300	1,014,000
Trade, Transportation and Utilities	151,300	154,300	155,200	136,000	135,100
Wholesale Trade	25,000	25,200	24,500	21,700	21,400
Retail Trade	82,100	81,400	79,500	68,200	67,700
Transportation, Warehousing and Utilities	151,300	154,300	155,200	136,000	135,100
Information	76,400	85,200	97,500	105,300	112,200
Financial Activities	80,900	83,200	85,900	82,900	83,000
Professional and Business Services	271,800	282,700	293,900	282,900	283,800
Educational and Health Services	136,000	138,900	146,100	142,100	145,800
Leisure and Hospitality	142,400	143,600	147,500	90,100	91,300
Other Services	41,100	41,400	41,500	32,500	33,600
Government	129,900	131,400	131,500	128,600	129,200

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, San Mateo County Annual Average Labor Force and Industry Employment, March 2021 Benchmark.

Industry

The following tables list the largest private and public employers in the City:

MAJOR EMPLOYERS
City of South San Francisco
2021

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	Genentech Inc.	8,632	Pharmaceutical
2.	ABBVIE	1,000	Pharmaceutical
3.	Costco Wholesale (4 stores)	834	Retail
4.	Amazon.com Services, Inc.	706	Online Retailer
5.	Life Technologies Corporation	622	Biotechnology
6.	Verily Life Sciences LLC	555	Biotechnology
7.	Goodwill Industries of SF, SA	375	Non-Profit Entity
8.	Sutro Biopharma, Inc.	321	Biotechnology/ Pharmaceutical
9.	MRL San Francisco LLC	317	Biotechnology
9.	ZS Associates, Inc.	317	Consultant Management
10.	Frank & Grossman Landscape Contractors	265	Landscaping

Source: City of South San Francisco, Annual Comprehensive Financial Report, Fiscal Year Ending June 30, 2021.

Building Activity

Residential and nonresidential building activity for 2016 through 2020 for the City is shown in the following tables.

NEW HOUSING UNITS BUILDING PERMITS City of South San Francisco For Years 2016 through 2020

	2016	2017	2018	2019	2020
Single Family Units	4	7	13	51	23
Multifamily Units	<u>95</u>	<u>352</u>	<u>161</u>	<u>269</u>	<u>0</u>
Total Units	<u>99</u>	<u>359</u>	<u>174</u>	<u>320</u>	<u>23</u>

Source: Construction Industry Research Board and California Homebuilding Foundation.

BUILDING PERMIT VALUATIONS City of South San Francisco (Dollars in Thousands)

	2016	2017	2018	2019	2020
Residential					
New Single Family	\$ 1,017	\$ 2,702	\$ 1,396	\$ 168,366	\$ 2,835
New Multifamily	13,539	78,722	3,398	94,791	0
Res. Alt. & Adds	<u>10,320</u>	<u>17,287</u>	<u>15,363</u>	<u>\$ 13,289</u>	<u>\$ 17,099</u>
Total Residential	\$ 24,876	\$ 98,711	\$ 20,157	\$ 276,446	\$ 19,934
Nonresidential					
New Commercial	169,425	\$ 450,445	\$ 262,381	\$ 453,045	\$ 304,733
New Industrial	0	0	0	0	0
New Other ⁽¹⁾	2,101	64,666	6,096	13,175	0
Alters. & Adds.	<u>185,436</u>	<u>138,482</u>	<u>243,227</u>	<u>207,682</u>	<u>439,562</u>
Total Non-Residential	\$ 356,962	\$ 653,592	\$ 511,704	\$ 673,902	\$ 744,295
Total All Building	<u>\$ 381,838</u>	<u>\$ 752,303</u>	<u>\$ 531,861</u>	<u>\$ 950,348</u>	<u>\$ 764,229</u>

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings.

Note: "Total All Building" is the sum of Residential and Nonresidential Building Permit Valuations. Totals may not add to sum because of independent rounding.

Source: Construction Industry Research Board and California Homebuilding Foundation.

Transportation

The City is accessible via various modes of transportation. Several Bay Area Rapid Transit (BART) stations are located in the City, providing rapid transit service to other cities in the San Francisco Bay area. The City is linked by Caltrain, a commuter rail, which runs from the San Jose area through the City and to the City of San Francisco. A ferry service runs from the Oyster Point Marina in the City to the east San Francisco Bay (cities of Oakland and Alameda). The City is intersected by two major freeways – U.S. Route 101 and Interstate 280. The City is located directly to the north of the San Francisco International Airport (SFO).

Education

K-12 public instruction in the City is provided by South San Francisco Unified School District, which encompasses the City and parts of Daly City and San Bruno. The City is also served by the San Mateo Community College District.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

City of South San Francisco
Community Facilities District No. 2021-01 (Public Facilities and Services)
South San Francisco, California

Re: *\$19,685,000 City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) Special Tax Bonds (Oyster Point), Series 2022*

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of South San Francisco (the “City”) taken in connection with the formation of City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) (the “District”) and the authorization and issuance of the District’s Special Tax Bonds (Oyster Point), Series 2022 in the aggregate principal amount of \$19,685,000 (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District (the “City Council”) on March 23, 2022 (the “Resolution”), and a Bond Indenture (the “Indenture”) dated as of April 1, 2022, by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, enforceable in accordance with their terms and the terms of the Indenture. The Bonds are limited obligations of the District but are not a debt of the City, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, except for the Net Taxes, neither the faith and credit nor the taxing power of the City, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(2) The Indenture has been duly authorized, executed and delivered by the District. The Indenture creates a valid pledge of, and the Bonds are secured by, the Net Taxes and the amounts on deposit in certain funds and accounts established under the Indenture, as and to the extent provided in the Indenture. The Indenture is enforceable in accordance with its terms; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment

of Administrative Expenses or as to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(4) Interest on the Bonds is exempt from State of California personal income tax.

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues for the Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph (3) above) and is exempt from State of California personal income tax.

(6) The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner.

The opinions expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is subject to the condition that the District and the City comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the City have covenanted to comply with all such requirements. Except as set forth in paragraphs (3), (4), (5) and (6) above, we express no opinion as to any tax consequences related to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate executed by the District and the City and other documents related to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on any Bond if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement or other offering material.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

Respectfully submitted,

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APPENDIX D-1
APPRAISAL REPORT

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Integra Realty Resources
San Francisco

Appraisal of Real Property

City of South San Francisco CFD No. 2021-1 (Public Facilities and Services)

Office Property
379 Oyster Point Blvd.
South San Francisco, San Mateo County, California 94080

Prepared For:

City of South San Francisco

Effective Date of the Appraisal:

November 2, 2021

Report Format:

Appraisal Report – Standard Format

IRR - San Francisco

File Number: 193-2021-0475





City of South San Francisco CFD No. 2021-1 (Public Facilities and Services)
379 Oyster Point Blvd.
South San Francisco, California



March 11, 2022

Ms. Janet Salisbury
Finance Director
City of South San Francisco
400 Grand Ave
South San Francisco, CA 94080

SUBJECT: Market Value Appraisal
City of South San Francisco CFD No. 2021-1 (Public Facilities and Services)
379 Oyster Point Blvd.
South San Francisco, San Mateo County, California 94080
IRR - San Francisco File No. 193-2021-0475

Dear Ms. Salisbury:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, pertaining to the fee simple interest in the property. The client for the assignment is City of South San Francisco, and the intended use is for bond underwriting purposes. The appraisers understand and agree this Appraisal Report is expected to be, and may be, utilized by the City of South San Francisco and Community Facilities District No. 2021-1 in the marketing of the Special Tax Bonds of the Community Facilities District No. 2021-1 (Public Facilities and Services) and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject currently comprises five parcels and 44.23 acres of land within the proposed and under construction Kilroy Oyster Point life sciences campus. At completion of build out, the subject will include 2,520,892 square feet of rentable area within four phases. In addition to life sciences space, the area within the District will also include open space and walking paths, various amenities for the project's life science users, and three parking garages; it is noted not all land uses within the District are taxable. Horizontal and vertical construction of Phase I, which is 100% pre-leased to two tenants, is nearly complete, and backbone infrastructure of Phase II has commenced. Phases III and IV are expected to be finished in 2025/26, as market demand dictates. The subject's assessor parcels are expected

to be reconfigured as development progresses, with each Phase eventually having its own parcel.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of City of South San Francisco. The appraisal is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

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

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

Value Conclusion

Value Type & Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value, Subject to a Hypothetical Condition	Fee Simple	November 2, 2021	\$1,248,200,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. We have been requested to provide an opinion of market value of the subject property as of November 2, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for public improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.



March 11, 2022

Page 3

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

Respectfully submitted,

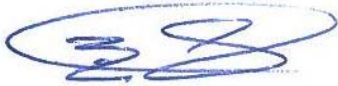
Integra Realty Resources - San Francisco



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



Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037
Telephone: 408-299-0444
Email: ldiaz@irr.com



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



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Executive Summary

Property Name	City of South San Francisco CFD No. 2021-1 (Public Facilities and Services)
Address	379 Oyster Point Blvd. South San Francisco, San Mateo County, California 94080
Property Type	Office - Life Sciences
Owner of Record	Kilroy Oyster Point I, LLC ("Kilroy OP I"), Kilroy Oyster Point II, LLC ("Kilroy OP II"), Kilroy Oyster Point III, LLC ("Kilroy OP III"), and KR Crescent Beach, LLC
Tax ID	015-010-240, 015-010-910, 015-010-930, 015-010-940 and 015-010-950
Land Area	44.23 acres; 1,926,698 SF
Gross Building Area	2,520,892 SF
Rentable Area	2,206,690 SF
Percent Leased	Phase I - 100% / Phases II - IV - Proposed
Year Built	Phase I - 2021 / Phases II - IV - Proposed
Zoning Designation	OPSPD, Oyster Point Specific Plan District
Highest and Best Use - As if Vacant	Life sciences use
Highest and Best Use - As Improved	Continued development for life sciences use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	November 2, 2021
Date of the Report	March 11, 2022
Property Interest Appraised	Fee Simple

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

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. We have been requested to provide an opinion of market value of the subject property as of November 2, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for public improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

General Information

Identification of Subject

The subject currently comprises five parcels and 44.23 acres of land within the proposed and under construction Kilroy Oyster Point life sciences campus. At completion of build out, the subject will include 2,520,892 square feet of rentable area within four phases. In addition to life sciences space, the area within the District will also include open space and walking paths, various amenities for the project's life science users, and three parking garages; it is noted not all land uses within the District are taxable. Horizontal and vertical construction of Phase I, which is 100% pre-leased to two tenants, is nearly complete, and backbone infrastructure of Phase II has commenced. Phases III and IV are expected to be finished in 2025/26, as market demand dictates. The subject's assessor parcels are expected to be reconfigured as development progresses, with each Phase eventually having its own parcel. A legal description of the property is in the addenda.

Property Identification

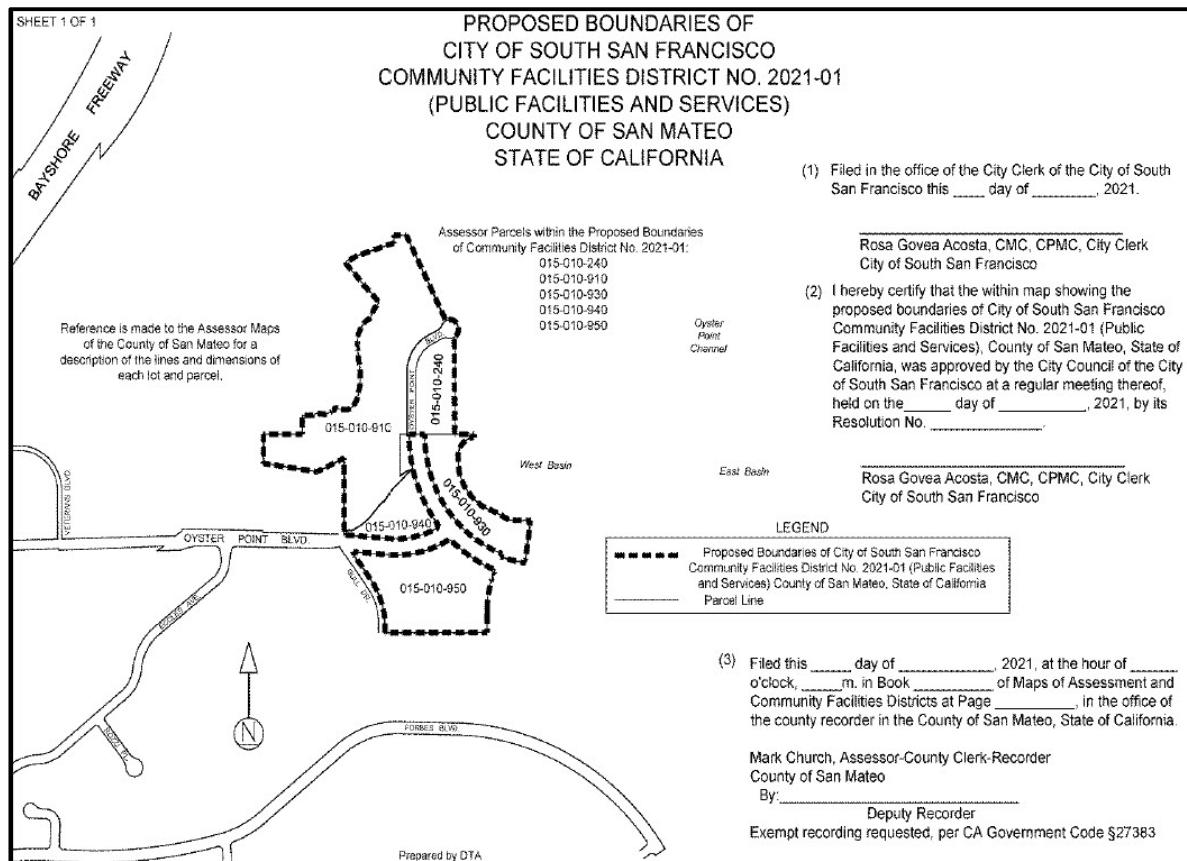
Property Name	City of South San Francisco CFD No. 2021-1 (Public Facilities and Services)
Address	379 Oyster Point Blvd. South San Francisco, California 94080
Tax ID	015-010-240, 015-010-910, 015-010-930, 015-010-940 and 015-010-950
Owner of Record	Kilroy Oyster Point I, LLC ("Kilroy OP I"), Kilroy Oyster Point II, LLC ("Kilroy OP II"), Kilroy Oyster Point III, LLC ("Kilroy OP III"), and KR Crescent Beach, LLC

Land Area Summary

Tax ID	Address	SF	Acres
015-010-240	379 Oyster Point Blvd	165,001	3.79
015-010-910	385 Oyster Point Blvd	921,076	21.14
015-010-930	-	238,883	5.48
015-010-940	-	163,045	3.74
015-010-950	348 Oyster Point Blvd	438,693	10.07
Total		1,926,698	44.23

Source: Public Records

The above table reflects the current subject assessor parcels. Lot lines are expected to be adjusted throughout the development process, and the upcoming analysis allocates acreage to each of the four Phases. The following page depicts the subject parcels within the District boundary.



Sale History

The most recent closed sale of the subject is summarized as follows:

Sale Date	June 5, 2018
Seller	Oyster Point Development, LLC
Buyer	KR Oyster Point I, LLC, KR Oyster Point II, LLC, KR Oyster Point III, LLC, KR Crescent Beach, LLC
Sale Price	\$308,203,000
Recording Instrument Number	2018.43303, 43304, 43305, 43307

The above transaction was recorded on four separate deeds in June of 2018. Our market value conclusion differs significantly from the sale price due to the strengthening life sciences market, the current entitlement status of the property, and infrastructure/site development costs which have been incurred to date. To the best of our knowledge, no other arm’s length sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.



Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, pertaining to the fee simple interest in the property as of the effective date of the appraisal, November 2, 2021. The date of the report is March 11, 2022. The appraisal is valid only as of the stated effective date.

Definition of Market Value

Market value is defined as:

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

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

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Property Rights Appraised

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

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

Intended Use and User

The intended use of the appraisal is for bond underwriting purposes. The client is the City of South San Francisco. The intended users are the City of South San Francisco and its associated finance team. The appraisal is not intended for any other use or user. No party or parties other than the City of South San

Francisco and its associated finance team may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

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

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004);

Report Format

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

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

Scope of Work

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

Valuation Methodology

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

Several legal and physical aspects of the subject property were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records. Numerous documents were provided for the appraisal, including: the developer’s budget, project renderings,

marketing materials, Phase I lease/tenant information, development timeline, and entitled land uses. The zoning, earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the San Mateo County Assessor's office online resource.

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

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

It is not uncommon for appraisers to be asked to appraise properties at atypical times, relative to when market participants most often transfer properties. The market recognizes typical points during the development process when master planned projects often transfer, such as upon obtaining entitlements, completion of spinal infrastructure and/or recordation of final maps, for example. In valuation assignments that involve value scenarios that do not coincide with the typical transaction points along the development timeline, the appraiser must apply market logic to the particular stage of the project. Since the subject is at one of these atypical points, we have employed market logic in the valuation of the subject in its hypothetical condition.

In the valuation of the subject property, which comprises the taxable land within the boundaries of the City of South San Francisco Community Facilities District No. 2021-1 (Public Facilities and Services), subject to the Lien of the Special Tax securing the Bonds, the market value of the taxable components comprising Community Facilities District No. 2021-1 were estimated using multiple approaches to value.

The valuation begins with employing extraction analyses to estimate of the market value for each of the subject Phases. This analysis considers the direct and indirect construction costs, lease up costs, and entrepreneurial profit associated with each Phase and deducts these costs from the market value as if stabilized to arrive at the value of the underlying land. Direct capitalization analyses are utilized to determine the market value of the proposed vertical improvements as if stabilized. As a test of reasonableness, we also consider improved life sciences sales. Because Phase I improvements are nearly complete, remaining costs are deducted from the as if stabilized value to arrive at an indication of value. No further discounting is required, as the disposition period for this Phase is expected to be under 12 months. The extraction analyses for Phases II through IV, however, result in the market value of the underlying land for these Phases which must be further discounted.

After the market value of the various land use components comprising Phases II through IV is determined, the subdivision development method to value is also employed in the estimate of market value of the City of South San Francisco Community Facilities District No. 2021-1 (Public Facilities and Services) Special Tax Bonds. The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses, and internal rate of return associated with the development and sell-off of the various land use components to end users are considered.

Under the subdivision development method to value, it is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project. The estimates of market values for the various land use components serve as the revenue component of the subdivision development method (DCF analysis). In addition to the expected revenue, the absorption period, expenses, and discount rate associated with the development and sell-off of the land components comprising the subject property to vertical life sciences developers are utilized, the results of which provided an estimate of market value of the subject property.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

Kevin Ziegenmeyer, MAI, and Laura Diaz conducted a interior and exterior inspections of the property on November 2, 2021.

Economic Analysis

Area Analysis – San Mateo County

Introduction

San Mateo County is located between San Francisco and Santa Clara Counties on the San Francisco Bay. The County covers 531 square miles and boasts 54 miles of spectacular coastline bluffs and beaches. About three-fourths of its land is in agricultural use, watershed, open space, wetlands or parks. Mild climate, abundant natural resources, picturesque foothills, creeks and old redwoods best describe San Mateo County, making it an attractive community for residents and businesses.

As one of several counties significantly contributing to the economy of the San Francisco Bay Area, San Mateo County is strategically located in proximity to world-renowned research universities – University of California at Berkeley and San Francisco and Stanford University. As a result, many leading industry employers, such as medical therapeutic leader Genentech, Fortune 500 Oracle Corporation, gaming leader Electronic Arts, and Academy Award winner PDI DreamWorks, all call San Mateo County home. Consistently, San Mateo County boasts among the highest incomes and among the lowest unemployment rates in both the state and the nation.

Population

The county has a population of 765,000 and, on average, has had no annual growth over the past five years. The vast majority of county residents live in incorporated areas, the largest of which are Daly City, San Mateo and Redwood City. The following table illustrates population trends for areas within San Mateo County over the past five years.

Population Trends							
City	2016	2017	2018	2019	2020	2021	%/Yr
Atherton	6,927	6,945	6,948	6,950	6,942	6,896	-0.1%
Belmont	26,963	26,951	26,898	26,808	26,669	26,470	-0.4%
Brisbane	4,648	4,653	4,654	4,642	4,621	4,579	-0.3%
Burlingame	30,377	30,355	30,318	30,224	30,068	29,746	-0.4%
Colma	1,495	1,493	1,476	1,496	1,678	1,659	2.2%
Daly City	108,421	108,599	109,088	109,102	108,767	108,599	0.0%
East Palo Alto	30,571	30,641	30,747	30,716	30,630	30,350	-0.1%
Foster City	32,624	32,741	32,746	33,221	33,025	32,842	0.1%
Half Moon Bay	12,373	12,391	12,423	12,444	12,404	12,309	-0.1%
Hillsborough	11,418	11,455	11,486	11,444	11,442	11,391	0.0%
Menlo Park	33,478	35,195	35,398	35,279	35,120	34,825	0.8%
Millbrae	23,000	22,986	22,975	22,874	22,742	22,509	-0.4%
Pacifica	38,802	38,673	38,632	38,470	38,267	37,890	-0.5%
Portola Valley	4,615	4,611	4,614	4,607	4,598	4,560	-0.2%
Redwood City	84,697	84,779	84,943	85,686	86,444	85,182	0.1%
San Bruno	45,408	45,423	45,442	45,391	45,392	44,936	-0.2%
San Carlos	29,684	29,689	29,713	29,644	30,067	29,814	0.1%
San Mateo	102,877	103,038	103,412	103,140	102,766	103,045	0.0%
South San Francisco	67,182	67,156	67,193	67,070	67,730	67,135	0.0%
Woodside	5,659	5,665	5,670	5,647	5,670	5,628	-0.1%
Unincorporated	65,880	65,962	66,151	66,305	66,019	64,880	-0.3%
Total	767,099	769,401	770,927	771,160	771,061	765,245	0.0%

Source: California Department of Finance

The Bay Area consistently has among the highest housing costs in the state and nation and the lack of affordable housing is one impediment to further growth in the region. Since 2014, San Mateo County has typically had the second highest median home prices in the Bay Area, surpassed only by San Francisco.

Employment & Economy

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

Employment Trends						
	2015	2016	2017	2018	2019	2020
Labor Force	434,300	441,800	445,500	449,500	460,000	433,900
Employment	419,400	428,300	433,400	439,300	450,600	404,100
Job Growth	10,500	8,900	5,100	5,900	11,300	(46,500)
Unemployment Rate	3.4%	3.1%	2.7%	2.3%	2.0%	6.9%

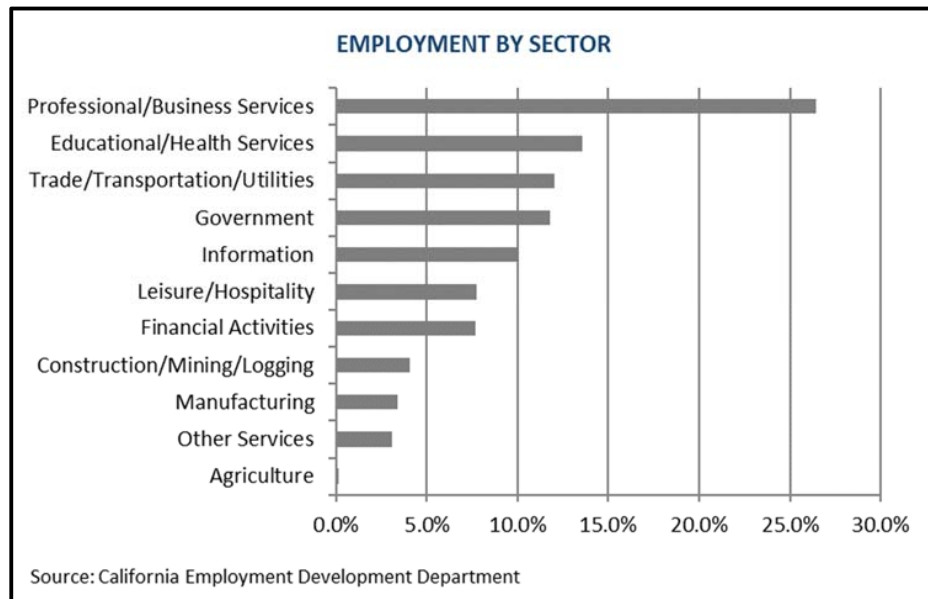
Source: California Employment Development Department

Most areas within the state and nation, including San Mateo County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines between 2011 and 2019. However, this downward trend has shifted as a result of the COVID-19 crisis. In an effort to prevent the spread and impact of the virus, statewide public health stay-at-home orders were issued in March 2020, which directed residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures left just "essential"

businesses open. The closure of non-essential businesses has had a significant impact on employment, with some sectors of the workforce impacted more significantly than others.

The average annual unemployment rate in San Mateo County was 2.0% in 2019 and remained in the 2.1% to 2.5% range in the first quarter of 2020, spiking up to 11.8% in April 2020. The average annual unemployment rate was 6.9% in 2020. As of April 2021, the rate has dropped to 4.8%, which is above the year ago estimate of 11.8%. This compares to rates of 8.1% for California and 5.7% for the nation in April 2021.

The California Employment Development Department reports the following allocation of total employment for each sector within the San Francisco-Redwood City- South San Francisco Metropolitan Division, which includes San Francisco and San Mateo Counties. Current employment by sector for just San Mateo County was not available as of the date of this report.



The metro’s largest employment sector is Professional and Business Services, followed by Educational/Health Services, and Trade/Transportation/Utilities (including retail and wholesale trade). Combined, these sectors account for 52% of all employment in the metro. In San Mateo County, the Information and Leisure/Hospitality sectors historically rank just below these sectors.

As of April 2021, it was reported a total of 57,300 jobs were gained in the metro year-over-year, after having lost nearly 170,000 jobs in April 2020 in response to the coronavirus economic shutdown. Consistent with the metro and other counties in the Bay Area, the Leisure/Hospitality and Trade/Transportation/Utilities sectors have experienced the strongest impact from the policies enacted to slow the spread of COVID-19.

The county’s largest employers are presented on the following page.

Largest Employers			
	Employer	Industry	Employees
1	Facebook, Inc.	Social Network	15,407
2	Genentech Inc.	Biotechnology	10,023
3	Oracle Corp.	Computer Hardware/Software	7,656
4	County of San Mateo	Government	5,640
5	Gilead Sciences Inc.	Biotechnology	4,000
6	YouTube LLC	Online Video Streaming Platform	2,384
7	Sony Interactive Entertainment	Interactive Entertainment	1,650
8	Robert Half International, Inc.	Professional Staffing Services	1,642
9	Electronic Arts Inc.	Interactive Entertainment	1,478
10	SRI International	Nonprofit Research Institute	1,418

Source: County of San Mateo, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2020

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. According to the U.S. Census Bureau, the median household income for San Mateo County in 2019 dollars was \$122,641, which was significantly higher than the state of California's median income of \$75,235. The county's income is the second highest among all California counties.

Transportation

The San Mateo County area is well served by State Highway 101. This freeway runs in a north-south direction and travels through the center of the county. It provides access to the city and county of San Francisco to the north. To the south, State Highway 101 provides access to San Jose and other areas of Santa Clara County. Further south, State Highway 101 travels through Salinas and then onto the Central Coast of California. Another major arterial in the County is Interstate 280, which commences in San Francisco near the San Francisco-Oakland Bay Bridge at Highway 101, and then bisects the County and the peninsula before terminating at Interstate 880 in San Jose. The Pacific Coast Highway (Highway 1) also travels through San Mateo County; specifically, through Daly City, Pacifica, and Half Moon Bay. To the north of the County, Highway 1 eventually crosses the Golden Gate Bridge, providing access to Marin County to the north of San Francisco. The East Bay Area is most proximately accessible via the San Mateo-Hayward Bridge in Foster City and the Dumbarton Bridge (Highway 84) in the Menlo Park/East Palo Alto area, both of which connect to Interstate 880 across the bay.

San Mateo County offers extensive public transportation, the most notable of which is the Bay Area Rapid Transit (BART). There are currently six stations in the county. In June 2003, BART opened the Millbrae/SFO extension, which included four new stations – South San Francisco, San Bruno, San Francisco International Airport (SFO) and Millbrae. In June 2004, Caltrain launched the Baby Bullet

train service, which provides express service including travel between San Francisco and San Jose in less than an hour. In 2005, Caltrain doubled the number of Baby Bullet trains (from 10 to 22).

San Francisco International Airport (SFO) is located in an unincorporated area of the county. According to the Airports Council International of North America, SFO is consistently one of the top 15 busiest airports in the nation in terms of both passenger and cargo volume. The airport is accessed along State Highway 101, between the cities of Millbrae and San Bruno.

The Redwood City Port is also located in the county. The Port has a deep-water channel and handles bulk and specialty cargo including lumber, scrap metal and liquid cargos. Each year, the Port handles about two million metric tons of cargo.

Recreation & Culture

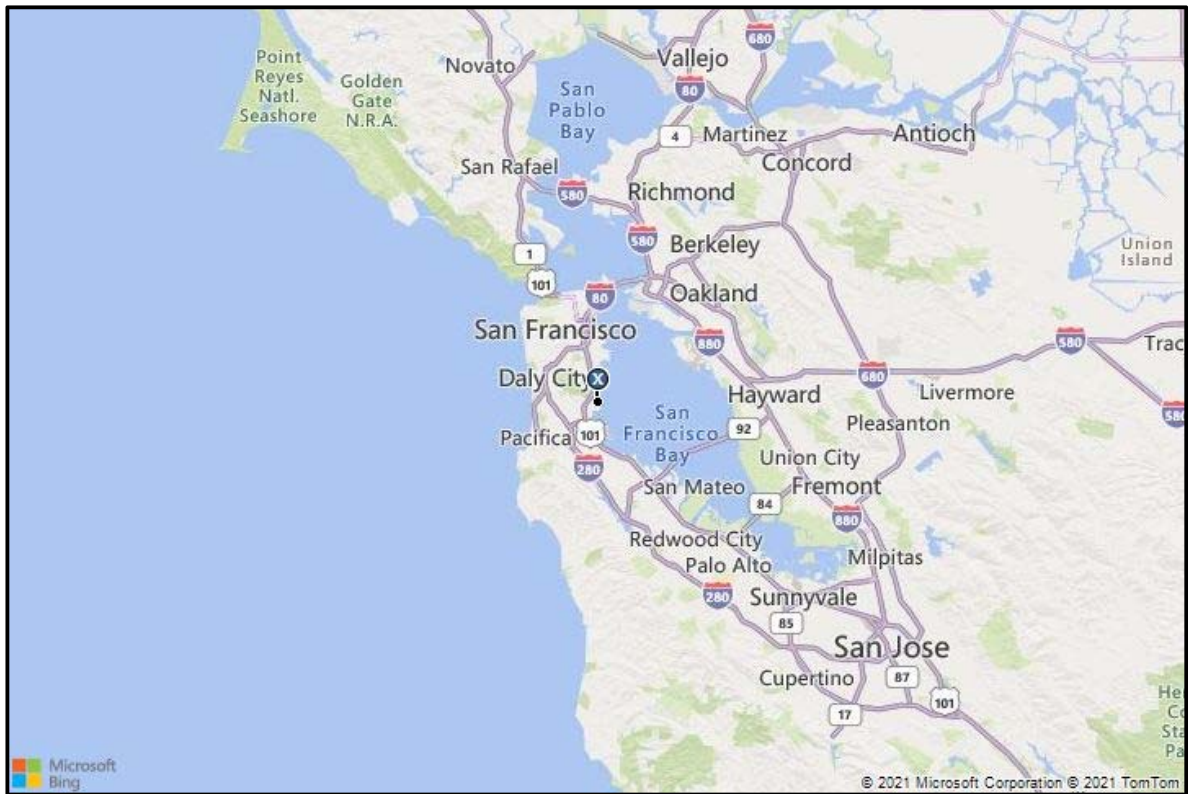
The County operates 17 regional parks in a wide variety of natural settings, including a coastal marine reserve, a bayside recreational area, coastal mountain woodland areas, and urban sites. Northern San Mateo County is home to eight parks including Coyote Point, Coyote Point Marina, Crystal Springs, Fitzgerald Marine Reserve, Junipero Serra, San Bruno Mountain, San Mateo Fishing Pier, and San Pedro Valley Park. Mid- and southern county parks include Edgewood Park, Flood Park, Huddart Park, Wunderlich Park, Heritage Grove, Memorial Park, Pescadero Creek, and Sam McDonald Park. The county is also known for its extensive trail system. San Mateo County hosts an annual County Fair each summer, located near the intersection of U.S. Highway 101 and State Highway 92.

Conclusion

San Mateo County is one of California's most affluent regions, with income and home prices nearly the highest in the state. Among the county's most notable advantages are its central location in the San Francisco Bay Area, picturesque surroundings, mild climate and diverse employment opportunities. The area also boasts extensive transportation routes, strong schools and an abundance of shopping centers, public services and recreational activities.

In recent years, market and economic conditions have been strong, with unemployment rates falling to historical lows. However, employment conditions declined sharply in April 2020 following stay-at-home mandates and business closures in response to the COVID-19 pandemic. Market and economic conditions have since improved, but some uncertainty remains in the near term as policies aimed at financial relief and resuming business operations continue to be developed and implemented. The historical stability of the local economy bodes well for the long-term outlook for the region.

Area Map



Surrounding Area

Location

The subject is located in the Oyster Point community in South San Francisco. The neighborhood is characterized by a high concentration of life sciences users. The following table summarizes the boundaries of the larger neighborhood.

Boundaries & Delineation	
Boundaries	
Market Area	San Francisco Bay Area
Submarket	Northern San Mateo
Area Type	Suburban
Delineation	
North	San Francisco Bay
South	South Francisco International Airport
East	San Francisco Bay
West	Highway 101

Access and Linkages

Primary highway access to the area is via Highway 101 and Interstate 280. Highway 101, also known as the Bayshore Freeway, runs north/south through San Mateo County before connecting to San Francisco and Marin County to the north and Santa Clara County to the south. Interstate 280 generally runs parallel to Highway 101, but along the eastern edge of the Peninsula's various open space preserves. Interstate 280 travels north into San Francisco where it intersects with Highway 101 before terminating just before Interstate 80. To the south, Interstate 280 runs through San Jose before connecting with Interstates 880 and 680. California State Route 82, or El Camino Real, is a major commercial thoroughfare which provides local access throughout the Peninsula. CA-82 runs somewhat parallel to Highway 101 before joining Interstate 280 in San Francisco and intersecting with Interstate 880 to the south in San Jose.

Caltrain provides rail access throughout the Peninsula and runs from San Francisco to Gilroy. The subject property is approximately 1.9 miles east from the nearest Caltrain station, South San Francisco. There is a free shuttle which runs from the nearest Caltrain station to Oyster Point. Bay Area Rapid Transit (BART) provides regional commuter rail service, and the South San Francisco station is also approximately 4.2 miles from the subject property. SamTrans provides bus service throughout San Mateo County. The overall primary mode of transportation in the area is the automobile.

Additional details on the area's access and linkages are provided in the following table, including the distance between the subject and the three primary regional airports.

Access & Linkages

Vehicular Access

Major Highways	Highway 101 / Interstate 280
Primary Corridors	Oyster Point Boulevard / Gateway Boulevard
Vehicular Access Rating	Good

Public Transit

Providers	Caltrain / BART / samTrans
Transit Access Rating	Good

Airport(s)

Airport	San Francisco International / Oakland International / San Jose International
Distance	4.4 miles / 27.6 miles / 37.9 miles
Driving Time	10 minutes / 35 minutes / 45 minutes

Primary Transportation Mode	Automobile
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Demographic Factors

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

Surrounding Area Demographics

2021 Estimates	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time	San Mateo County
Population 2010	2,408	87,046	527,258	718,451
Population 2021	2,746	96,727	581,965	770,038
Population 2026	2,855	99,632	597,805	791,123
Compound % Change 2010-2021	1.2%	1.0%	0.9%	0.6%
Compound % Change 2021-2026	0.8%	0.6%	0.5%	0.5%
Households 2010	779	28,276	180,754	257,837
Households 2021	891	31,293	202,624	275,845
Households 2026	927	32,214	208,527	283,183
Compound % Change 2010-2021	1.2%	0.9%	1.0%	0.6%
Compound % Change 2021-2026	0.8%	0.6%	0.6%	0.5%
Median Household Income 2021	\$103,052	\$109,307	\$130,086	\$136,043
Average Household Size	3.0	3.1	2.8	2.8
College Graduate %	29%	35%	46%	52%
Median Age	38	39	39	41
Owner Occupied %	42%	53%	52%	59%
Renter Occupied %	58%	47%	48%	41%
Median Owner Occupied Housing Value	\$1,077,721	\$1,015,002	\$1,173,401	\$1,381,998
Median Year Structure Built	1974	1970	1964	1967
Average Travel Time to Work in Minutes	32	34	36	33

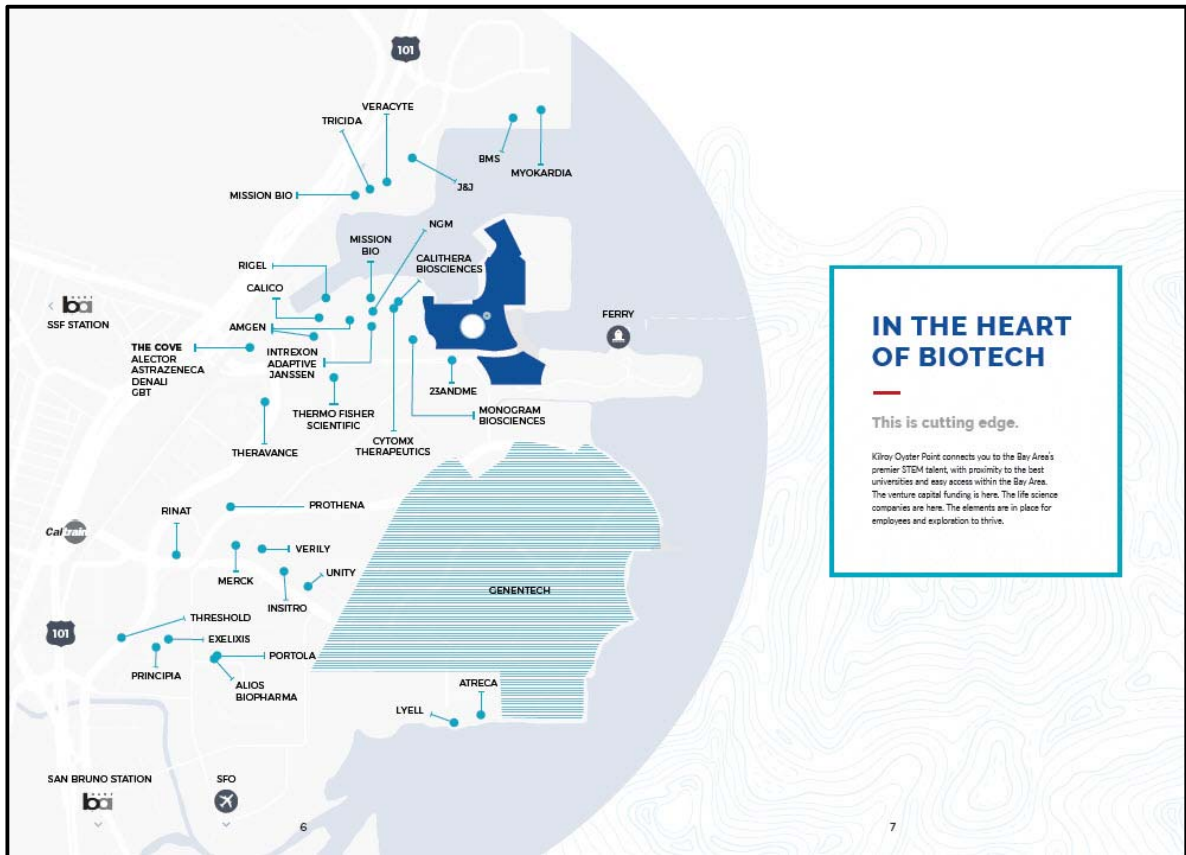
Source: Claritas

As shown above, the current population within a 10-minute drive time of the subject is 96,727, and the average household size is 3.1. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to San Mateo County overall, the population within a 10-minute drive time is projected to grow at a faster rate.

Median household income is \$109,307, which is lower than the household income for San Mateo County. Residents within a 10-minute drive time have a considerably lower level of educational attainment than those of San Mateo County, while median owner occupied home values are considerably lower.

Land Use

South San Francisco is generally suburban in character, and densely developed with housing; however, given its proximity to San Francisco and convenience to major transit options (SFO, U.S. Highway 101), there is also a prevalence of industrial and life science uses in the area. The subject’s specific neighborhood is characterized by life science, research and development, and technology uses. The map on the following page is from the subject’s marketing brochure and demonstrates the heavy concentration of life science users in the immediate area. Overall, the area is 99% developed, with the only opportunities for new construction being limited to infill and redevelopment sites.



Land uses east of Highway 101 are primarily commercial and industrial in nature, with some retail uses. Residential use is concentrated west of Highway 101. The following table summarizes land uses in the subject's neighborhood.

Surrounding Area Land Uses

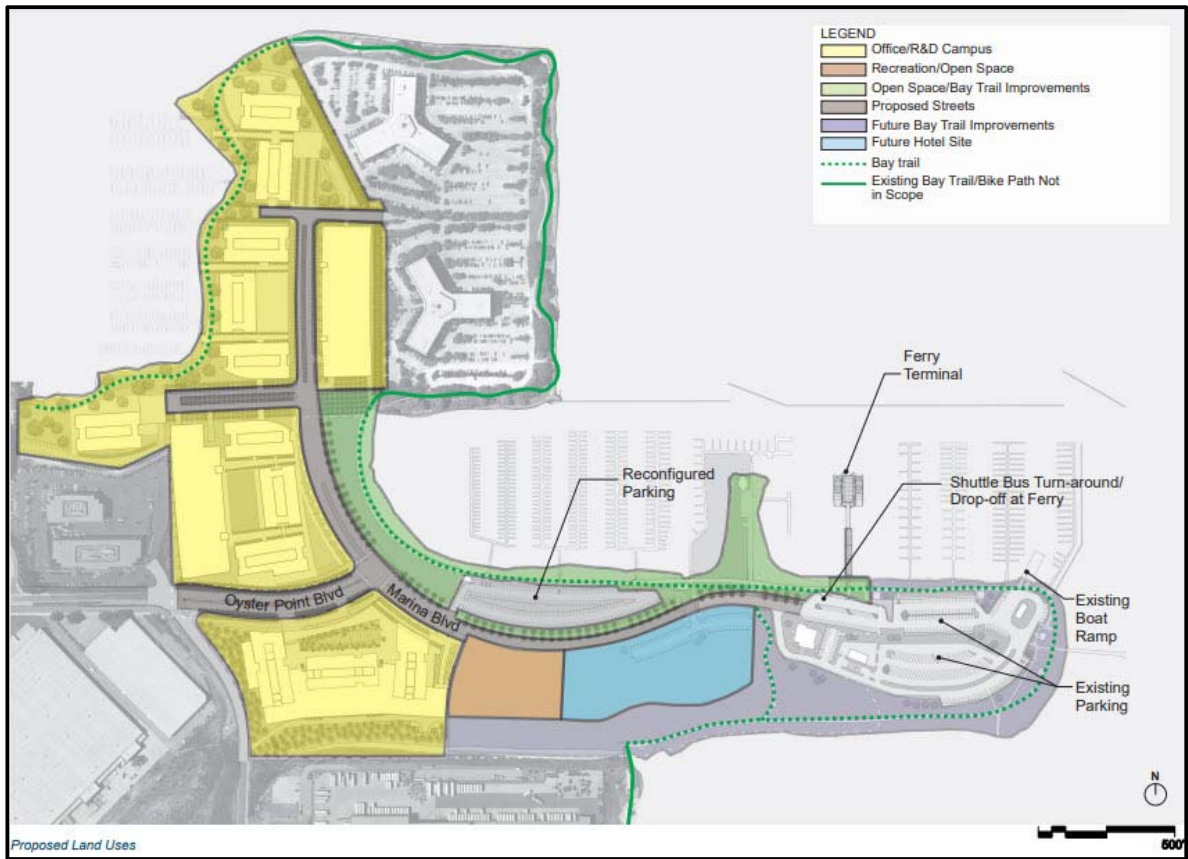
Character of Area	Suburban
Predominant Age of Improvements (Years)	New to 40+ years
Predominant Quality and Condition	Average to Excellent
Approximate Percent Developed	99%
Land Use Allocation	
Single-Family	0%
Multifamily	0%
Retail	15%
Office	45%
Industrial	40%
Vacant Land	Less than 1%
Infrastructure and Planning	Average
Predominant Location of Undeveloped Land	Infill redevelopment
Prevailing Direction of Growth	Infill redevelopment

The following table summarizes the availability of public services proximate to the subject. In addition, South San Francisco's City hall and public library are located two miles west of the subject.

Public Services

Service	Name/Station	Distance (Miles)	Direction
Police Department	South San Francisco	4	West
Fire Department	South San Francisco	2.6	West
Hospital	Kaiser Permanente South San Francisco	4.1	West
Elementary School	9 Elementary Schools in SSF Unified District	1.9 (closest)	West
Middle/Junior High School	3 Middle Schools in SSF Unified District	3.2 (closest)	West
High School	3 High Schools in SSF Unified District	3.6 (closest)	West

The following map depicts land uses proposed for the Kilroy Oyster Point project, of which the subject is a part. The subject property is shaded yellow, and also includes a portion of the open space/Bay Trail improvements.



Land uses immediately surrounding the subject are as follows:

Immediate Surroundings

North	San Francisco Bay
South	Light Industrial
East	San Francisco Bay / Office
West	San Francisco Bay / Office

Outlook and Conclusions

The area is in the stable stage of its life cycle. Recent development activity has been limited to infill uses due to the lack of available land. The Bay Area life sciences market has been strengthening since the onset of the COVID-19 pandemic, as the public health crisis spurred additional interest in the biotechnology and health sciences sectors. As will be demonstrated, life sciences inventory is constrained; there are multiple new life science campuses under construction along the Peninsula, and many investors are converting general office space to life science use. Given the history of the area and the growth trends, it is anticipated that property values will continue to increase in the near future.

In comparison to other areas in the region, the area is rated as follows:

Surrounding Area Ratings

Highway Access	Good
Demand Generators	Excellent
Convenience to Support Services	Average
Convenience to Public Transit	Average
Employment Stability	Above Average
Neighborhood Amenities	Average
Police and Fire Protection	Average
Barriers to Competitive Entry	Average

The following section includes an overview of the office market in San Mateo County, which includes life sciences space. This will be followed by an analysis of the Bay Area life sciences market specifically.

Surrounding Area Map



The “x” symbol designates Phase I of the subject. Subsequent Phases are located north of Phase I, along Oyster Point Boulevard.

Office Market Analysis

The subject is located in the San Francisco Peninsula office market, as defined by Cushman and Wakefield's research report, which is relied upon in this analysis. It is noted this research report includes both office and R&D space. The San Francisco Peninsula encompasses San Mateo County.

The San Francisco Peninsula office market experienced steady growth in recent years, with the technology and life science sectors driving demand. The market is desirable due to its lower cost compared to San Francisco to the north and Silicon Valley to the south. The region had positive job growth and steadily declining unemployment. New construction was very active, delivering significantly pre-leased to large tech and life science tenants. San Mateo County has one of the largest life science markets in the nation.

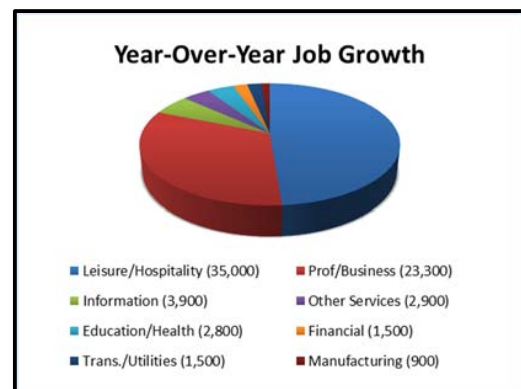
The year 2020 began with sustained demand for good quality office space, with positive leasing activity and net absorption in the first quarter, but the second quarter reflected declining conditions from the impact of the COVID-19 pandemic. Office touring and leasing activity declined significantly as a result of shelter-in-place mandates, and leasing activity continued to be subdued the balance of the year as uncertainty kept businesses in a holding pattern as to what operations and space needs would look like post-COVID-19. Market activity improved in the first half of 2021 as restrictions eased, with positive net absorption in both the first and second quarters. Leasing activity, particularly for life science tenants, has remained robust, currently driving demand for both office and R&D space.

Local market research reports prepared by real estate professional services firms highlight the likelihood that companies' recovery from the economic disruption will likely include a re-organization to a new operating environment which may involve reducing real estate footprint and working remote or striking a balance by use of creative/flexible work schedules. A return to the workplace was expected in September 2021, following the termination of COVID-19 restrictions but the emergence of the delta variant posed additional challenges, delaying that return.

Employment

Employment conditions in the San Francisco-Redwood City-South San Francisco Metropolitan Division (San Francisco and San Mateo Counties) had been steadily improving since 2011, reaching near full employment in recent years. Conditions remained healthy through much of the first quarter 2020 but declined sharply in April 2020 as a result of the coronavirus outbreak and the subsequent policies enacted to slow the spread.

According to data from the California Employment Development Department (EDD), as of September 2021, total employment in the metro had grown 8.6% year-over-year and total jobs increased by 6.6% year-over-year, with 68,400 jobs gained. Every employment sector, except Government and Construction, experienced job growth. Government jobs declined by 2,900 and Construction jobs declined by 500. The largest gain in jobs was in the Leisure/Hospitality sector with 35,000 jobs gained, followed by the



Professional/Business Services sector with 23,300 jobs gained. The chart to on the previous page illustrates year-over-year job growth by sector.

The unemployment rate in the metro was 4.0% as of September 2021, down from 8.4% a year ago. The unemployment rate for San Mateo County alone was 3.8%. By comparison, the unemployment rates for California and the U.S. were 6.4% and 4.6%, respectively, for the same period.

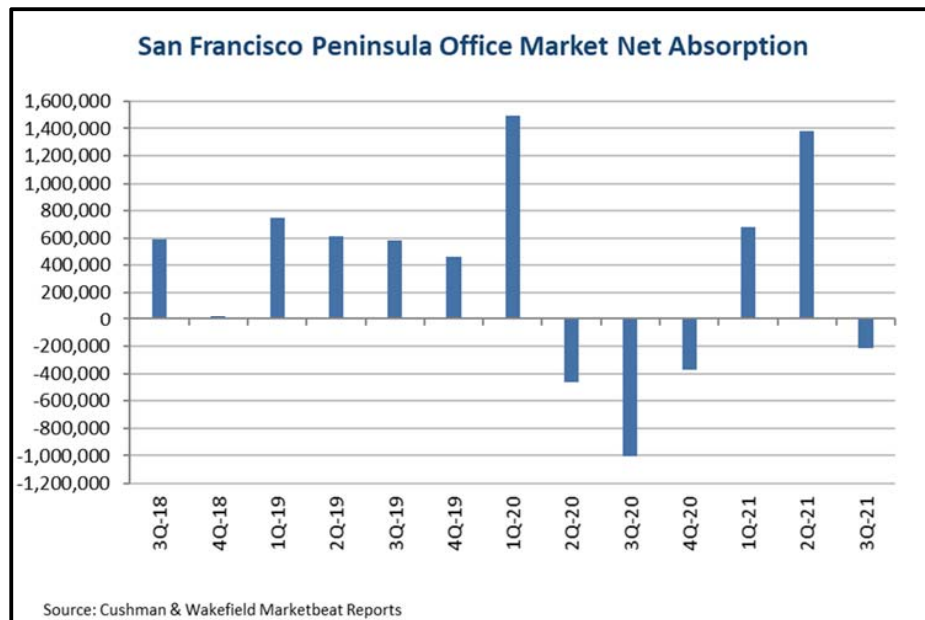
Vacancy and Absorption

Vacancy in the San Francisco Peninsula office market was on a steady decline from roughly 2013 through 2015, at which point it increased into the mid-7% range until 2017, then into the mid-to-high 8% range until 2019, where it gradually declined from 8.2% to 7.7%. While the first quarter 2020 vacancy held steady, it increased 120 basis points in the second quarter, beginning an upward trend for the remainder of the year and into 2021. The following chart illustrates vacancy trends in the region over the past three years.



The third quarter 2021 closed out with an overall vacancy of 11.1%, which is 50 basis points higher than the previous quarter and 130 basis points higher than the previous year. The office components had a higher increase in vacancy, increasing from 14.5% in the second quarter to 15.0% in the third, compared to R&D product, which closed out the quarter at 4.9%, up from 4.6% in the second quarter. Office product makes up 82% of the total vacancy in the market. Sublease availability declined from 33.0% of all vacant space in the first quarter, to 24.5% in the third quarter 2021.

Net absorption in the market was positive for seven quarters prior to the coronavirus outbreak. The second, third and fourth quarters of 2020 posted negative net absorption as a result of decreased leasing activity. Activity improved as restrictions eased and the first half of 2021 posted positive net absorption. The following chart highlights net absorption activity over the past three years.



Net absorption in the first and second quarters 2021 is primarily attributed to strong demand in the life science industry. Cushman & Wakefield reports also cite occupancy of recently completed buildings, which were preleased, as a source for the positive net absorption. The third quarter, however, again posted negative net absorption, with an occupancy loss of 212,341 square feet as more space was vacated and fewer major tenants took occupancy.

The following table summarizes current vacancy and absorption data by submarket.

San Francisco Peninsula Office Market Summary

Submarket	Total SF (millions)	Vacancy 3Q 2021	Net Absorption 3Q 2021	Net Absorption YTD
Daly City	0.97	4.3%	(1,463)	54,974
Brisbane	1.62	6.7%	55,868	605,294
South San Francisco	14.86	6.2%	(101,360)	1,597,509
San Bruno / Millbrae	1.82	1.9%	(7,155)	(54)
Burlingame	3.48	14.9%	(963)	(46,173)
North County Totals	22.74	7.3%	(55,073)	2,211,550
San Mateo	8.01	21.3%	(128,898)	(345,044)
Foster City	5.11	9.9%	28,802	12,285
Redwood Shores	6.34	17.3%	(33,479)	(116,514)
Central County Totals	19.47	17.0%	(133,575)	(449,273)
Belmont / San Carlos	3.05	12.1%	(7,160)	497,107
Redwood City	7.35	8.6%	(41,176)	(245,181)
Menlo Park	10.12	9.9%	24,643	13,436
South County Totals	20.52	9.7%	(23,693)	265,362
San Francisco Peninsula Total	62.73	11.1%	(212,341)	2,027,639

Source: Cushman & Wakefield Marketbeat Reports

The North County region closed the quarter with negative 55,073 square feet of net absorption and an average vacancy of 7.3%, the lowest of the three regions. San Bruno/Millbrae had the lowest vacancy rate in the region, and in the market overall, at 1.9%. This submarket is among the smallest in terms of inventory.

The Central County region experienced the greatest occupancy loss this quarter, with 133,575 square feet of negative net absorption. The submarkets in this region have vacancy rates ranging from 9.9% to 21.3%, with an average of 17.0%, the highest of the three regions.

The South County region closed out the quarter with an average vacancy rate of 9.7% and 23,693 square feet of negative net absorption. Vacancy rates within the submarkets in the South County region ranged from 8.6% in Redwood City to 12.1% in Belmont/San Carlos.

Leasing activity slowed significantly after the first quarter 2020 as a result of the shelter-in-place order in effect during the bulk of the second quarter and subsequent operating restrictions. It was reported new leases totaled just under 381,000 square feet in the fourth quarter 2020, 569,000 square feet in the third quarter, 911,000 square feet in the second quarter, and 1.4 million square feet in the first quarter 2020. The annual gross absorption in 2020 was 3.5 million square feet, compared to 7.9 million square feet in 2019.

The first half of 2021 saw improvement in leasing activity with gross leasing of 2.8 million square feet and an additional 1.9 million square feet were leased in the third quarter. Some of the more significant leases signed this quarter are highlighted below. Three of the below leases are to life sciences users (Freenome, Altos Labs, and Nkarta).

- 335,419 square feet were preleased to Freenome at 3000-3300 Marina Blvd, Brisbane
- C3.ai leased 283,015 square feet at 1400 Seaport Blvd, Redwood City
- Altos Labs leased 232,987 square feet at Redwood LIFE in Redwood Shores
- Roblox leased 122,630 square feet at 1 Franklin Parkway, San Mateo
- Nkarta leased 88,106 square feet at 1150 Veterans Blvd, South San Francisco

Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time, which is influenced by the quality and quantity of space available at that time. Guarded reliance should be placed on average asking rates given the number of variables impacting these figures.

According to market research reports, the average asking rental rate for office space in the San Francisco Peninsula market has trended upward slowly since 2010. As of the third quarter 2021, the region's average asking rate was \$5.94 psf/month (full service), down \$0.08 psf/month from the second quarter and up \$0.34 psf/month year-over-year (6.1% increase). The average asking rate for Class A office was \$6.56 psf/month, down from \$6.63 psf/month in the second quarter and up from \$5.55 psf/month a year ago. The average asking rate for R&D office was \$5.39 psf/month (triple net), up from \$4.73 psf/month in the second quarter. The highest rents in the market are achieved in downtown, mixed-use projects, life science complexes and projects accessible to Caltrain stations.

New Construction

Over the most recent expansionary cycle, the San Francisco Peninsula office and R&D market had high demand for new construction. It is reported that 90% of projects built since 2012 have had pre-leasing activity. Projects that were not pre-leased were typically fully leased within 90 days of delivery. Pre-leasing has slowed in the wake of the economic disruption from the pandemic. Cushman & Wakefield reports there are 2.7 million square feet of new, speculative office and R&D space under construction as of the third quarter 2021, with 30.3% of that preleased. The following table highlights some of the notable office and R&D (life sciences) projects recently completed and under construction.

Significant New Construction Office Projects				
Project	Product Type	Submarket	Size (SF)	Status
The Alexandria District / 825 Industrial Rd	Office R&D	Belmont/San Carlos	299,508	Completed Q1 2021
The Alexandria District / 835 Industrial Rd	Office R&D	Belmont/San Carlos	243,988	Completed Q1 2021
Shore at Sierra Point / 1400-1600 Sierra Point Pkwy	Office R&D	Brisbane	269,185	Completed Q1 2021
201 Haskins Way	Office R&D	South San Francisco	350,000	Completed Q1 2021
Gateway of Pacific Phase II	Office R&D	South San Francisco	441,000	Completed Q2 2021
Kilroy Oyster Point Phase I / N1 Inception - Oyster Point Blvd	Office R&D	South San Francisco	655,765	Completed Q2 2021
Gateway of Pacific Phase III	Office R&D	South San Francisco	350,000	Delivery Q4 2021
Station 1 / 2750 S Delaware St	Class A Office	San Mateo	219,000	Delivery Q4 2021
Station 5 / 3150 S Delaware St	Class A Office	San Mateo	213,999	Delivery Q4 2021
Springline (formerly Station 1300) / 1300-1302 El Camino Real	Class A Office	Menlo Park	236,037	Delivery Q1 2022
MPK 22 / 301-309 Constitution Drive	Class A Office	Menlo Park	449,500	Delivery Q2 2022
Gateway at Millbrae Station	Class A Office	Millbrae	157,694	Delivery Q3 2022
500 El Camino Real	Class A Office	Menlo Park	154,000	Delivery Q3 2022
220 Park Road	Class A Office	Burlingame	185,000	Delivery Q2 2023
San Mateo County Offices / 617 Hamilton Street	Class A Office	Redwood City	121,000	Delivery Q3 2023

Source: CoStar; Cushman & Wakefield; Colliers International; Kidder Mathews

Prior to the coronavirus outbreak, absorption of new space kept pace with new deliveries and vacancy remained steady. However, growth plans for tech companies have largely been put on hold and it is expected that general office projects under construction will deliver without being fully pre-leased. This is in contrast to life science/R&D properties, which continue to be consistently pre-leased prior to delivery due to supply constraints. Vacancy rates are expected to increase initially in submarkets where new construction is active, though, as will be demonstrated in the following section, life sciences vacancy rates remain very low. Likewise, as new buildings are delivered, there is the risk of an increase in vacancy as second and third generation spaces are left vacant when tenants relocate to more desirable new spaces.

Conclusion

The San Francisco Peninsula remains a sought-after market for technology and life science users and tenants looking for a Bay Area location. New office and R&D developments have increased in the past several years, and leasing and absorption have likewise been strong, fueled by these industries, with most new construction projects delivering pre-leased. Market activity declined, particularly for office product, following the onset of the pandemic as employers implemented remote working solutions and companies put growth plans on hold. Demand for R&D product has been less impacted than office product, sustained by the thriving life science industry. The market has had strong leasing activity over the past three quarters. However, vacancy is expected to continue to increase into the fourth quarter, as over 900,000 square feet of new construction is scheduled to be completed, with only 38% of that preleased. Likewise, occupancy losses in older buildings will continue to impact net absorption.

Improvement in the market was anticipated in the second half of 2021, with the projected return to work in person following a reopening of the economy in June 2021, but additional COVID challenges have delayed that return, particularly in the tech sector, where companies have been the first to announce longer-term mobile working options. Recovery in the office market is expected to be gradual as companies continue to define their remote working policies, space needs and growth projections. The following section discusses the life sciences market specifically, which has been strengthening since the onset of the pandemic.

Life Sciences Market Analysis

National Life Science Market Overview

Life science space is qualitatively different from office space requiring structural characteristics and strict environmental and safety restrictions coupled with the hybrid nature of space required by hospitals and lab tenants. New construction is highly specialized and is an integral part of the clinical delivery and scientific discovery process. The additional amenities and physical characteristics required dictates that these buildings generally command a much higher price per square foot than office space. According to a 2018 report by brokerage firm JLL, construction costs can range from \$350 to \$1,325 per square foot. Tenant improvement costs from shell typically range from \$150 to \$200 per square foot in the Bay Area. The following describes some of the characteristics that differentiate life science facilities from general commercial properties.

Lab to Office Space Ratios - The majority of lab facilities include a split of 50% lab and 50% office use on a floor by floor basis. New life science facilities typically offer multiple common areas such as lounges and cafes where researchers can meet, discuss, and collaborate.

Building Services - Special consideration must be made for the proposed research in each respective building, including the evaluation of the chemicals that will be stored and transported and how biological waste will be disposed.

HVAC – Sufficient air circulation is critical to life science users and required ventilation systems must be worked into the base building upgrades.

Electrical – The electrical design criteria for a state-of-the-art research facility have skyrocketed as science and technology have become interdependent. The power grid must be capable of supplying the appropriate electrical capacity for augmenting HVAC requirements, research data, and scientific analysis tools.

Clear Height and Structure – Sufficient clear height for fume hoods and exhaust is essential. The concentrated equipment and workbench areas in lab buildings require heavy loading.

Vertical Shafts – A life science building must contain ample vertical space for supplying sufficient air and removing the exhaust fumes of any biotech user without overburdening cost or compromising the function of the space.

Lab Module – Any efficient lab planner must identify critical lab space requirements such as bench layouts.

Acoustics, Air Quality, and Vibration – The potential for vibration from equipment and the street environment to effect sensitive lab experiments is a key factor. Building adjustments must be made to prevent such vibrations from occurring.

Zoning – Zoning restrictions and other state and federal regulations can inhibit or prevent use changes, the handling of hazardous materials, and the ability to local equipment or systems on tops of buildings.

Flexibility – The only certain thing in the life science industry is change. Every floor of each building should be built with its own infrastructure so that all air, electric wiring, and plumbing can be easily modified and office space turned into lab space or clinical space if necessary.

Biosafety Levels – In addition to the characteristics described above, each life science facility must meet certain standards for biosafety depending upon the type of research being conducted. Regulations as to safety and security requirements and licenses for buildings vary depending upon the research.


Impact of COVID-19 on the Life Sciences Market

In contrast to the general office market, the pandemic has increased demand for life sciences space. The following is an excerpt from *Newark's 2021 Mid-Year Life Science Overview & Market Clusters* report which summarizes the impact of COVID-19 on the life sciences market:

“Life science real estate in 2021 continues to benefit from unprecedented levels of institutional investor demand across the major cluster markets and secular growth from expanding venture capital-backed biotechnology, medical device and pharmaceutical tenants. One of the early realities responsible for the acceleration of demand during the pandemic was that many life science lab workers could not do vital research and development from home, and therefore circumvented the lockdowns and work-from-home mandates that impacted other property types. While lockdowns and government-mandated restrictions largely ended in most of the United States early in the summer of 2021, concerns are once again rising with the prevalence of the Delta variant of COVID-19. This sentiment continues to feed into investor psychology and impact demand for conventional office space, which in turn is heightening the interest in life science and laboratory properties. Additionally, the global push for the creation of multiple COVID-19 vaccines has galvanized US government support for on-shoring of biomanufacturing and research and development efforts, particularly for pharmaceutical and drug companies that ran short of supplies early into the pandemic.”

The following table depicts the top ten life science owners in the United States, many of which are active in the Bay Area market.

Top 10 Life Science Owners					
Company	HQ Location	Investor Type	Number of Properties	Featured Markets Exposure Count	Square Feet*
Alexandria RE Equities	Pasadena, CA	Public REIT	381	9	40,100,000
BioMed Realty	New York, NY	Institutional	106	9	16,000,000
Healthpeak Properties	Irvine, CA	Public REIT	72	4	11,300,000
Ventas	Chicago, IL	Public REIT	43	4	9,000,000
Longfellow RE Partners	Boston, MA	Private / Developer	45	4	6,500,000
Diversified Healthcare Trust	Newton, MA	Public REIT	33	6	4,300,000
Boston Properties	Boston, MA	Public REIT	47	3	3,400,000
IQHQ	Solana Beach, CA	Private REIT	17	3	3,200,000
King Street Properties	Boston, MA	Private / Developer	24	3	3,100,000
Wareham Development	San Francisco, CA	Private / Developer	45	1	2,700,000
					100,000,000
Other Prominent Owners					
Company	HQ Location	Investor Type	Square Feet*		
Alloy Properties (TPG)	San Francisco, CA	Institutional	2,600,000		
Nuveen	New York, NY	Institutional	2,500,000		
Pacific Coast Capital Partners (PCCP)	Los Angeles, LA	Institutional	2,400,000		
Phase 3 RE Partners	San Diego, CA	Private/Developer	2,300,000		
DivcoWest	San Francisco, CA	Institutional	2,100,000		
Clarion Partners	New York, NY	Institutional	2,000,000		
Kilroy Realty Corporation	Los Angeles, LA	Public REIT	2,000,000		
Harrison Street	Chicago, IL	Institutional	1,900,000		
Karlin Real Estate	Los Angeles, LA	Private/Developer	1,800,000		
Starwood Capital Group	Miami Beach, FL	Institutional	1,600,000		



100 Million
Square Feet

The total approximate estimated life science wet laboratory space owned by the top ten owners, 72% of which is owned by public or private REITs.

* Includes properties under construction

Source: Newark's 2021 Mid-Year Life Science Overview & Market Clusters

The table on the following page reflects the 30 largest transactions since 2020.

30 Largest Transactions: Private Equity and Public Offerings

While the number of transactions and total amount raised in the private equity market eclipses that of the public market, the largest transactions have tended to be public offerings, with all four of the deals raising more than \$1 billion. All but one of the largest 30 transactions occurred in regions covered by this report.

COMPANY NAME	SIZE MM	DATE	TYPE	CUSHMAN & WAKEFIELD MARKET
Royalty Pharma	\$2,180	Jun 2020	Public	New York City
Pharmaceutical Product Development	\$1,863	Feb 2020	Public	Other
Maravai Life Sciences	\$1,620	Nov 2020	Public	San Diego
Moderna Therapeutics	\$1,338	May 2020	Public	Boston
Resilience	\$755	Oct 2020	VC	San Diego
Certara	\$668	Dec 2020	Public	New Jersey
Sana Biotechnology	\$588	Feb 2021	Public	Seattle
EQRx	\$570	Jan 2021	VC	Boston
MyoKardia	\$551	May 2020	Public	San Francisco Bay Area
Catalent	\$548	Jun 2020	Public	New Jersey
ElevateBio	\$525	Mar 2021	VC	Boston
Iovance Biotherapeutics	\$525	May 2020	Public	San Francisco Bay Area
10x Genomics	\$506	Sep 2020	Public	San Francisco Bay Area
Indigo Agriculture	\$500	Jun 2020	VC	Boston
Insulet	\$500	May 2020	Public	Boston
Bluebird Bio	\$500	May 2020	Public	Boston
Lyell	\$493	Mar 2020	VC	San Francisco Bay Area
AbCellera	\$483	Dec 2020	Public	Vancouver
Everest Medicines	\$451	Oct 2020	Public	New York City
Recursion	\$436	Apr 2021	Public	Salt Lake City
Legend Biotech	\$424	Jun 2020	Public	New Jersey
Immunomedics	\$420	Apr 2020	Public	New Jersey
Relay Therapeutics	\$400	Jul 2020	Public	Boston
GRAIL	\$390	May 2020	VC	San Francisco Bay Area
Instil Bio	\$368	Mar 2021	Public	Dallas
Zymergen	\$350	Jul 2020	VC	San Francisco Bay Area
RBNC Therapeutics	\$340	Sep 2020	VC	San Francisco Bay Area
Adagio Therapeutics	\$336	Apr 2021	VC	Boston
Schrödinger	\$330	Aug 2020	Public	New York City
Blueprint Medicines	\$325	Jan 2020	Public	Boston

Source: Newark's 2021 Mid-Year Life Science Overview & Market Clusters

Life Sciences in the Bay Area

The San Francisco Bay Area is considered a prominent life science cluster, second to only the Cambridge/Boston market and above the San Diego cluster (ranked third in the United States). Newmark reports the Bay Area market has the largest lab market by size in the U.S. with over 30 million square feet of space. The region also benefits from a robust venture capital network, with \$5.4 billion in venture capital funding raised midway through 2021. In addition, the Bay Area also benefits from three major research universities: Stanford, UCSF, and UC Berkeley.



SAN FRANCISCO BAY AREA

	Total Market	South San Francisco	Palo Alto	San Carlos	Menlo Park	Emeryville
Market Size (SF)	31,030,265	10,763,569	1,987,730	1,171,934	953,183	2,030,482
Rent (PSF)	\$63 - \$81	\$66 - \$80	\$72 - \$83	\$63 - \$81	\$69 - \$75	\$63 - \$71
Vacancy Rate	5.6%	3.6%	17.7%	4.0%	0.0%	0.0%
Under Construction (SF)	3,826,312	2,070,008	–	173,757	–	–
Under Renovation (SF)	1,781,529	–	298,036	–	–	439,818
Proposed (SF)	17,859,592	5,594,613	576,847	1,931,332	380,000	706,010
New/Expanding Tenants	Adverum Biotechnologies, Alexza Pharmaceuticals, Arcus Biosciences, Eat Just, Plexxikon, Senti Bio, SmartLabs, TrueBinding	Calico, Dice Molecules, Nkarta	Delfi Diagnostics	Iovance Biotherapeutics, Nautilus Biotechnology, Vaxcyte	Boost Neuroscience	Geltor, Finless Foods, Zymergen
VC Funding (12-month total)	\$10.5 B					
VC 5-Year Annual Average	\$8.1 B					
Emerging Life Science Developers/Investors	Angelo Gordon, Blue Vista Capital, Cannae Partners, Graymark Capital, KKR					
Sales Volume (12-month total)	\$3.3 B					
Sales Volume PSF (12-month average)	\$793					

Source: Newark's 2021 Mid-Year Life Science Overview & Market Clusters

As evidenced on the previous page, vacancy rates in the South San Francisco market are at 3.6%. The following chart is courtesy of Cushman & Wakefield’s 2021 report *Life Sciences on the Rise*. Vacancy and rental rates are reported for the overall market, rather than by submarket.



Source: C&W’s 2021 *Life Sciences on the Rise*



PUBLIC & PRIVATE FUNDING (2020-2021)

COMPANY	DEAL TYPE	COMPLETED	TYPE	\$ RAISED (MM)
MyoKardia	Public Investment 2nd Offering	May 2020	Public	\$551.3
Iovance Biotherapeutics	Public Investment 2nd Offering	May 2020	Public	\$525.0
10x Genomics	Public Investment 2nd Offering	Sep 2020	Public	\$506.0
Lyell	Later Stage	Mar 2020	VC	\$493.0
GRAIL	Later Stage	May 2020	VC	\$390.0
Zymergen	Later Stage	Jul 2020	VC	\$350.0
RBNC Therapeutics	Early Stage	Sep 2020	VC	\$340.0
Twist Bioscience	Public Investment 2nd Offering	Dec 2020	Public	\$308.3
Vir	Public Investment 2nd Offering	Jul 2020	Public	\$300.2
Freonome	Later Stage	Jul 2020	VC	\$270.0

RENT VS. VACANCY COMPARISON

Source: CoStar, Cushman & Wakefield Research

REPRESENTATIVE INVESTMENT SALE TRANSACTIONS (2019-2021)

ADDRESS	TYPE	\$ MM	RBA SF	DATE	BUYER
Genesis, S San Francisco	Office, Lab	\$1.0B	786,433	Oct 2020	Ventas Life Science and Healthcare Real Estate Fund, LP
Redwood LIFE, Redwood Shores	Office, Lab	\$661.0	997,292	Feb 2019	Longfellow Real Estate Partners
Palo Alto Labs, Palo Alto	Office, Lab	\$205.0	259,586	Jul 2019	Longfellow Real Estate Partners
3380-3420 Central Expy, Santa Clara	Office, Lab	\$172.3	368,707	May 2019	Gemini Rosemont Commercial Real Estate
500 Forbes Blvd, S San Francisco	Office, Lab	\$139.5	155,685	Oct 2019	Clarion Partners
5300 Chiron Way, Emeryville	Office, Lab	\$135.0	203,308	Mar 2019	Biomed Realty LP
150 Industrial Rd, San Carlos	cGMP	\$99.0	229,640	Dec 2019	Graymark Capital Inc

REPRESENTATIVE LEASE TRANSACTIONS (2020)

COMPANY	ADDRESS	SIZE (SF)	NEW/RENEWAL	TYPE	QUARTER	LANDLORD
Guardant Health	3000 Hanover St, Palo Alto	249,549	New	Lab	Q3	Sand Hill Property Company
Kodiak Sciences	1050 Page Mill Rd, Palo Alto	155,474	New	Lab	Q2	Sand Hill Property Company
Janssen	1600 Sierra Point Pkwy, Brisbane	135,202	New	Lab	Q1	Healthpeak (Formerly HCP)
Vir Biotechnology	1800 Owens St, S San Francisco	133,896	New	Lab	Q4	Kilroy Realty
Sutro Biopharma	111 Oyster Point Blvd, S San Francisco	115,466	New	Lab	Q3	HCP Life Science Estates
Perfect Day	740 Heinz Ave, Berkeley	112,000	New	Lab	Q3	Wareham Development
Arcus Biosciences	1800 Sierra Point Pkwy, Brisbane	105,562	New	Lab	Q4	Healthpeak (Formerly HCP)
Allakos	825 Industrial Rd, San Carlos	99,000	New	Lab	Q1	Alexandria Real Estate Equities
Ascend Clinical LLC	435 Oakmead Pkwy, Sunnyvale	92,820	New	Lab	Q4	The Irvine Company
Verseon	47071 Bayside Pkwy, Fremont	87,544	New	Lab	Q1	47071 Bayside LLC
Agenus	6455 Christie Ave, Emeryville	83,620	New	Lab	Q1	Harvest Properties

Source: C&W's 2021 Life Sciences on the Rise

The previous graphics are useful for identifying prominent Bay Area sale and lease transactions. Please note, Longfellow, the buyer of the Redwood LIFE property, is proposing to demolish the existing 20 buildings on the site and construct a new 84-acre life science campus with over three million square feet of space.

Within the larger Bay Area market, different types of life science and technology users tend to congregate in specific submarkets. For example, South San Francisco is known for its concentration of biotechnology and chemical technology users; the mid and south Peninsula also attract biotechnology users. The South Bay has a high concentration of medical technology and device companies. The area from Sunnyvale to Fremont also has a cluster of auto-technology companies. Food technology companies are located in the East Bay, and the Northeast Bay and Emeryville includes a high number of chemical technology users.

We discussed the local market with a broker with CBRE who is active in the life sciences arena. He stated there is very little space available in the Bay Area and the space is subdivided into three categories: new construction, conversion space, older life sciences buildings (the vast majority of which are leased). The broker was of the opinion that even if all life sciences space within the development pipeline is constructed until 2025, demand would still not be entirely satisfied. He also noted strong preleasing activity at an under-construction life sciences campus he is involved with.

On October 13, 2021, CoStar reported three firms proposed adding over 1.25 million square feet of biotechnology space within a two week span. A representative with Healthpeak, a prominent life sciences developer involved in the proposal, stated:

“In the Bay Area, we are seeing record levels of demand...Everything that is coming between now and the end of 2022, early 2023, is 60% preleased, and the balance of that 40% has a significant amount of interest. We feel really good about the supply and demand characteristics in the Bay Area and looking forward.”

In addition, a Business First article dated November 12, 2021 discusses the robust life sciences market in the Bay Area. The article reports 2021 has surpassed 2019's record for lab leasing. The article also states asking rents are 27% higher for life sciences space than this time last year.

Outlook and Conclusions

Both nationally and locally, demand for life sciences space has been strong since the onset of the pandemic. Supply in the Bay Area remains constrained, particularly in the desirable South San Francisco submarket, and there are multiple new construction and conversion proposal in the development pipeline over the next several years. Rents have also been increasing in the South San Francisco submarket, and the majority of new construction is preleased prior to delivery. These trends are expected to continue in the near future, and the long term outlook for the life sciences industry remains positive.

Property Analysis

Land Description and Analysis

Location

The property is located along Oyster Point Boulevard, east of Highway 101 and north of Forbes Boulevard.

Land Area

The following table summarizes the subject's land area.

Land Area Summary			
Tax ID	Address	SF	Acres
015-010-240	379 Oyster Point Blvd	165,001	3.79
015-010-910	385 Oyster Point Blvd	921,076	21.14
015-010-930	-	238,883	5.48
015-010-940	-	163,045	3.74
015-010-950	348 Oyster Point Blvd	438,693	10.07
Total		1,926,698	44.23

Source: Public Records

As noted, the above table reflects the current configuration of assessor parcels within the District. These are expected to be adjusted as development progresses, with each of the four Phases within the District having its own parcel. As will be shown in the following section, approximately 40 acres of land are associated with the proposed improvements within the four phases. The remaining land will reflect open space and infrastructure.

Shape and Dimensions

The site is irregular in shape, though site utility based on shape and dimensions is average.

Topography

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

Drainage

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

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	06081C0042F
Date	April 5, 2019
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

The Developer has raised portions of the open space/Bay Trail along the Marina out of the flood zone. The elevation range of the District is above special flood hazard areas, typical tidal elevations, and the 100-year extreme water level in the San Francisco Bay, as defined by the Federal Emergency Management Agency (FEMA).

Mid-century sea level rise (“SLR”, in the year 2050) is expected to be between 11 inches (most likely) to 24 inches (the upper end of the range). End of century sea level rise (year 2100) is expected to be between 36 inches (most likely) to 66 inches (upper range). The following information was provided by the subject Developer and details the steps taken to design the project to accommodate future sea level rise.

“The design basis for flood protection for the project is to accommodate extreme high tides (100-yr tide) plus upper range, end-of-century SLR projections for proposed buildings, and upper range, mid-century SLR projections (at a minimum) for the roadways and open space areas.

The extreme high tide in the vicinity of the project (Base Flood Elevation, BFE) as estimated by the Federal Emergency Management Agency (FEMA), is 13.0 feet, NAVD. Therefore, the project site will be elevated such that it accommodates the BFE.

Buildings – All buildings are recommended to be resilient to the maximum expected sea level rise at the year 2100. The National Research Council of the National Academies published a range of the anticipated sea level rise for the California coast, and we understand that San Francisco Bay Conservation and Development Commission (BCDC) and the City of South San Francisco recommend using the upper end of the range (66”) for designing buildings to accommodate the expected sea level rise for the year 2100. This would require the ground floors to be at, or above elevation 16.5 feet, NAVD.

Parking Lots and the Bay Trail – Parking lots and the Bay trail are recommended to be resilient to sea level rise at the year 2050, and adaptable to sea level rise for the year 2100. Consistent with the approach for buildings, BCDC and the City of South San Francisco recommend using the upper end of the range (24”) for designing improvements to accommodate the expected sea level rise for the year 2050. Therefore, the lowest elevation of these improvements would be at or above elevation 13.0 feet, NAVD.”

Environmental Hazards

A portion of the District was formerly used as a municipal landfill, which required remediation work prior to development of Phase I. Ongoing monitoring for water leachate and methane release is also required. The Developer reports they are unaware of any hazardous substance condition of the property within the District that has not been remediated to allow for the continued proposed development. As part of the environmental remediation of the site, the Developer off-hauled significant quantities of refuse and repaired/replaced the clay cap. The Developer reports the environmental remediation process has been closely observed by regulators and developer has achieved closure.

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

Seismic Hazards

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate “Earthquake Fault Zones” (formerly known as “Special Studies Zones”) along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. However, portions of the subject are located in a liquefaction zone. (California Division of Mines and Geology, Official Map of Alquist-Priolo Earthquake Fault Zones, San Francisco South Quadrangle (2021)).

Ground Stability

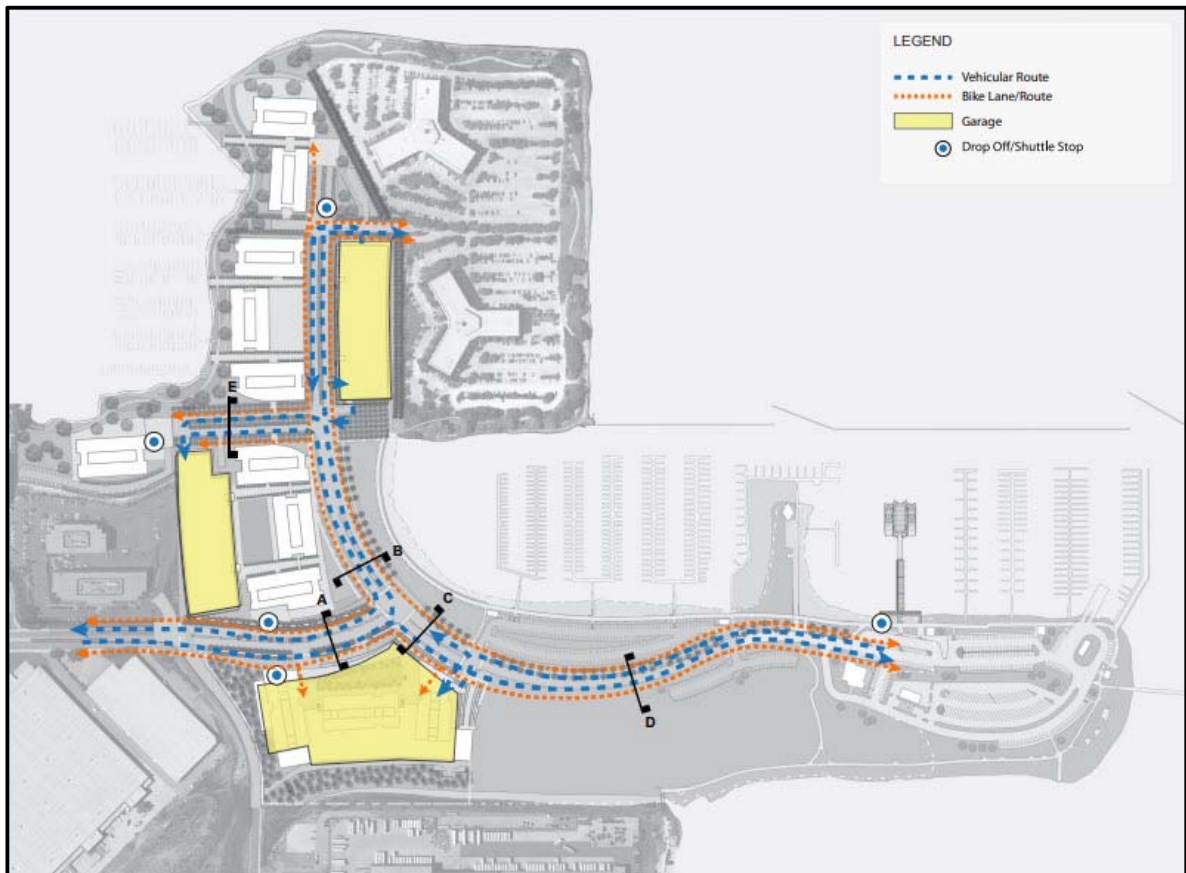
A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject’s soil bearing capacity is sufficient to support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

Streets, Access and Frontage

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

Streets, Access and Frontage	
Street	Oyster Point Blvd
Frontage Feet	2,160
Curbs	Yes
Sidewalks	Yes
Lanes	2 way, 1 lane each way
Condition	Good/New
Traffic Levels	Low
Visibility	Good

The following map depicts the proposed improvements to Oyster Point Boulevard, including vehicular and bike routes, as well as proposed parking structures.



Utilities

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

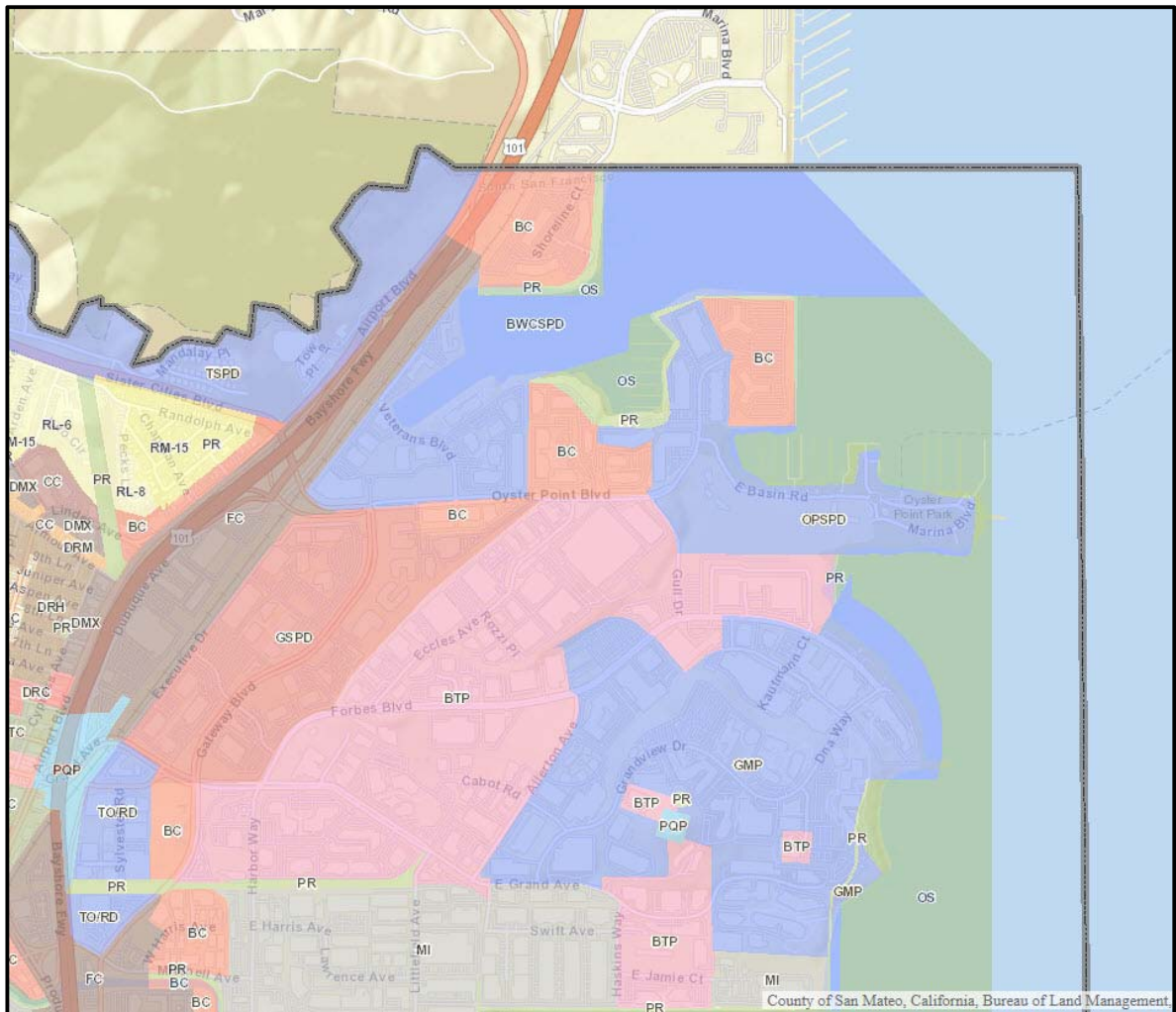
Utilities	
Service	Provider
Water	City of South San Francisco
Sewer	City of South San Francisco
Electricity	Pacific Gas & Electric
Natural Gas	Pacific Gas & Electric
Local Phone	Various Providers

Zoning

The subject is zoned OPSPD, Oyster Point Specific Plan District, by City of South San Francisco. This district is specific to the subject's proposed development. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

Zoning Summary	
Zoning Jurisdiction	City of South San Francisco
Zoning Designation	OPSPD
Description	Oyster Point Specific Plan District
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Various commercial uses
Category	Phase I
Minimum Lot Area	PH I - 43,560 SF / PH II - 10,000 SF
Maximum Site Coverage	60%
Maximum Floor Area Ratio	1
Parking Requirement	Not to exceed 2.5 spaces per 1,000 gross SF of floor area

According to the local planning department, there are no pending or prospective zoning changes. It appears that the proposed use of the site is a legally conforming use. We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. A zoning map is provided on the following page.



Other Land Use Regulations

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

Easements, Encroachments and Restrictions

We have reviewed a preliminary title report prepared by Fidelity National Title Company and dated March 11, 2021. The report identifies exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from easements, encroachments or restrictions and further assumes that the subject has clear and marketable title.

Timeline

Backbone infrastructure work for Phase I is expected to be complete by the end of 2021, and infrastructure for Phase II recently commenced. Backbone infrastructure for Phases III and IV is expected to be completed somewhat concurrently with vertical development these Phases, which is



projected to be around 2025 to 2026. The following table depicts the developer's infrastructure budget, including costs spent to date. The below costs include rough grading, erosion control, wet and dry utilities, traffic signals and roadway improvements, landscaping and irrigation, new sewer pump station, and soft costs associated with infrastructure improvements.

Backbone Infrastructure Costs			
	Budget	Incurred	Remaining
Phase I	\$47,112,589	\$44,062,881	\$3,049,708
Phases II - IV	\$21,801,872	\$0	\$21,801,872
Total Budget	\$68,914,461	\$44,062,881	\$24,851,580

Phases II - IV Pro-rata Allocation	Acreage	Pro-Rata Share	Allocation
Phase II	9.80	32.8%	\$7,145,764
Phase III	10.05	33.6%	\$7,328,054
Phase IV	10.05	33.6%	\$7,328,054
Total	29.90	100%	\$21,801,872

In addition, vertical construction of Phases I and II is expected to be complete by the end of 2021 and early 2024, respectively.

Conclusion of Site Analysis

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

Assessor Aerial



Developer Aerials



Above: From Left to Right: Building C, Building B, Building A



Above: Facing Building C

Developer Aerials



Above: From Left to Right: Building A, Building B, Building C



Above: From Left to Right: Building A, Building B, Building C

Developer Aerials

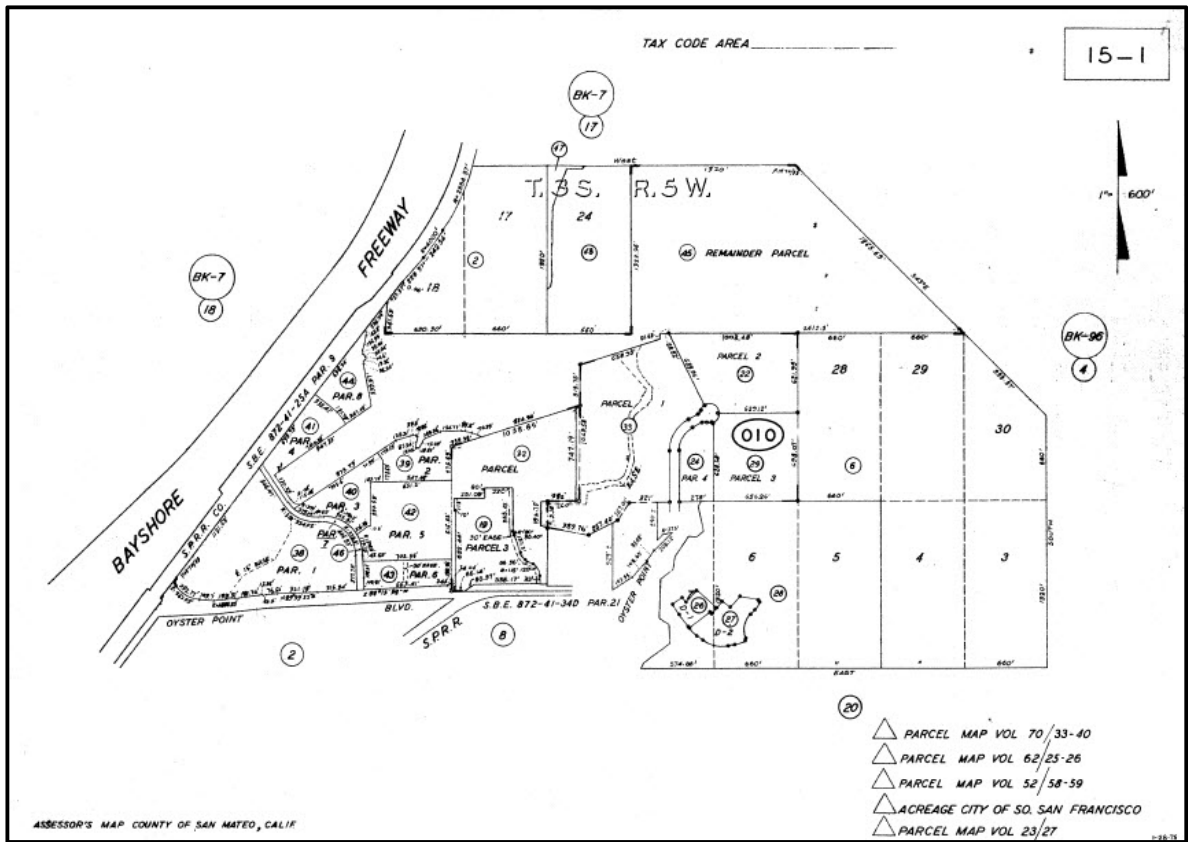


Above: Site Development Work

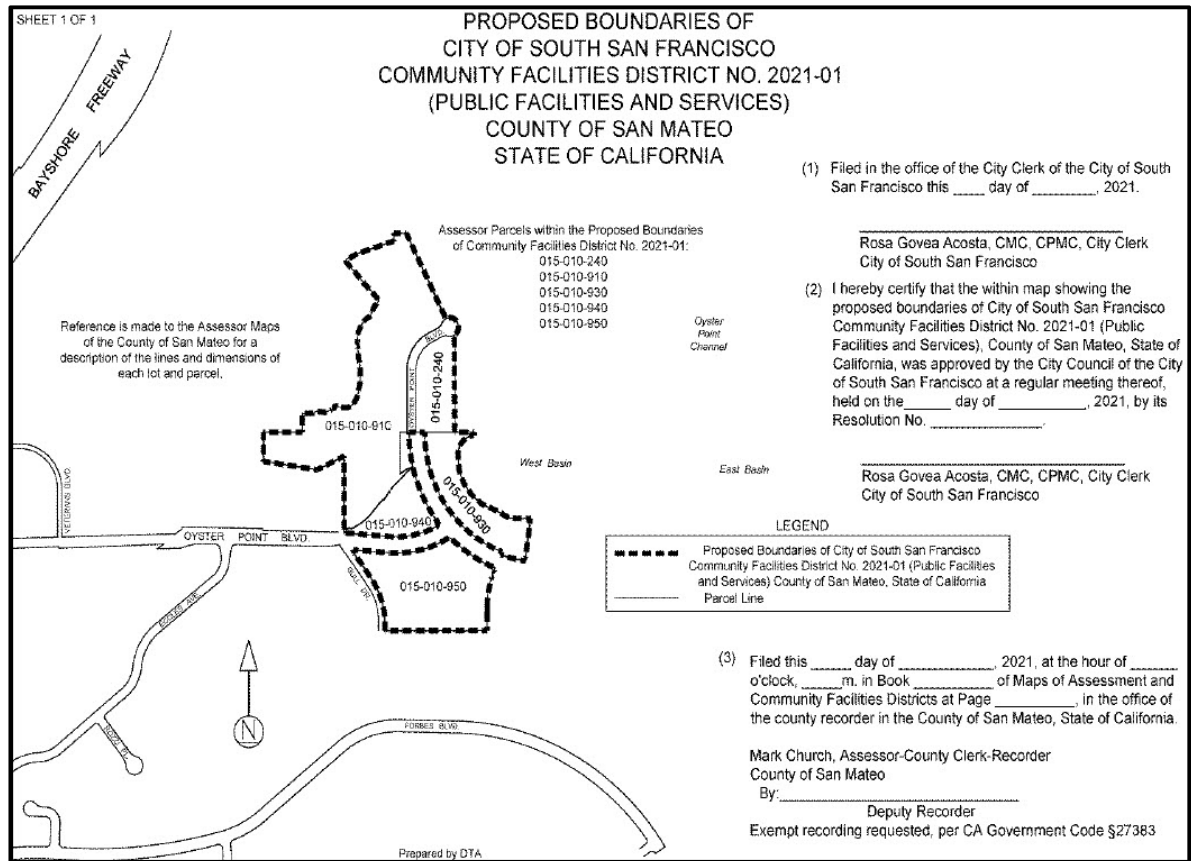


Above: Building C

Plat Map



CFD No. 2020-1 Boundary Map



Improvements Description and Analysis

The subject currently comprises five parcels and 44.23 acres of land within the proposed and under construction Kilroy Oyster Point life sciences campus. At completion of build out, the subject will include 2,520,892 square feet of rentable area within four phases. In addition to life sciences space, the area within the District will also include open space and walking paths, various amenities for the project's life science users, and three parking garages; it is noted not all land uses within the District are taxable. Horizontal and vertical construction of Phase I, which is 100% pre-leased to two tenants, is nearly complete, and backbone infrastructure of Phase II has commenced. Phases III and IV are expected to be finished in 2025/26, as market demand dictates. The subject's assessor parcels are expected to be reconfigured as development progresses, with each Phase eventually having its own parcel.

The following table depicts the proposed improvements, by Phase.

Proposed Improvements								
Building	Phase	Rentable SF ¹	Gross SF	Stories	No. of Spaces	Completion Date ²	Tenant	Acreage ³
A (354 Oyster Point Blvd)	1	421,000	147,070	5	-	End of 2021	Stripe	10.07
B (352 Oyster Point Blvd)		179,524	6	-				
C (350 Oyster Point Blvd)		234,892	220,007	7	-		Cytokinetics	
Parking Structure		-	-	4	1,190			
Total Phase 1		655,892	546,601					
D	2	315,000	282,164	8	-	Early 2024	-	9.80
E		275,000	247,409	7	-			
F		275,000	247,409	7	-			
Parking Structure		-	-	10	2,016			
Total Phase 2		865,000	776,982					
G	3	250,000	215,229	6	-	2025/2026	-	10.05
H		250,000	212,654	6	-			
Parking Structure		-	-	9	2,356			
Total Phase 3		500,000	427,883					
I	4	250,000	205,762	6	-	2025/2026	-	10.05
J		250,000	249,462	7	-			
Total Phase 4		500,000	455,224					

¹ Total Phase II, III, and IV divided evenly over number of buildings, in-lieu of more specific calculations.

² Phases III & IV are dependent on market demand; anticipated delivery 2025 or 2026.

³ Phase III & IV acreage is approximate and may vary in final lot-line adjustments.

Buildings A, B, and C are constructed over a shared four-level parking structure. Building C is 100% pre-leased to Cytokinetics, while Buildings A and B are 100% pre-leased to Stripe. In each Phase, rentable area exceeds gross building area. This is due to two factors: first, some outdoor common areas are included in the rentable area (this is not uncommon for new, Class A space in the area); second, life sciences buildings include significant mechanical areas which are included in rentable area, but not the gross square footage measurement (which reflects what the City considers taxable square footage).

The subject project will also include multiple amenities. In Phase I, Building C will offer a ground floor restaurant (open to the public), fitness center, and auditorium. Buildings A and B will include a cafeteria and café, and all Phase I buildings will share outdoor meeting space. Phase II improvements

will include outdoor meeting space, a fitness center, juice bar, food and beverage area, conference area, and amphitheater.

The following table provides further detail on the under-construction Phase I buildings.

Improvements Description - Phase 1

Name of Property	City of South San Francisco CFD No. 2021-1 (Public Facilities and Services)
General Property Type	Office
Property Sub Type	Life Sciences
Competitive Property Class	A
Occupancy Type	Single Tenant
Percent Leased	100%
Number of Tenants	2
Tenant Size Range (SF)	234,892 - 421,000
Number of Buildings	3
Stories	5 to 7
Construction Class	A
Construction Type	Steel frame
LEED Certification	Gold
Construction Quality	Good
Condition	New
Gross Building Area (SF)	546,601
Rentable Area (SF)	655,892
Land Area (SF)	438,649
Floor Area Ratio (RA/Land SF)	1.50
Floor Area Ratio (GBA/Land SF)	1.25
Building Area Source	Owner
Year Built	2021
Actual Age (Yrs.)	0

In addition, compared to general office, life sciences space general includes higher ceiling heights, additional duct work, significantly more HVAC and power capacity, and high floor load capacity designed to reduce/minimize vibrations.

Proposed Improvements Analysis

Quality and Condition

The quality and condition of the subject is considered to be consistent with that of newly constructed, competing life sciences properties.

Functional Utility

The improvements appear to be adequately suited to their proposed use, and there do not appear to be any significant items of functional obsolescence.

Conclusion of Improvements Analysis

In comparison to other competitive properties in the region, the subject improvements are rated as follows:

Proposed Improvements Ratings

Visibility/Exposure	Average
Design and Appearance	Above Average
Age/Condition	Above Average
% Sprinklered	Average
Lobby	Average
Interior Amenities	Average for New Life Science Properties
Floor to ceiling heights	Average
Elevators	Average
Parking Ratios	Average
Distance of Parking to Building Access	Average
Landscaping	Average to Above Average

Overall, the quality, condition, and functional utility of the improvements are average to above average for their age and location. For the reader's reference, renderings and schematics for the subject proposed improvements are shown on the following pages.

Proposed Improvements – Phase II

PHASE 2 OVERVIEW

Designed for Work & Play

 ~900,000 SF 3 Buildings 7-8 Stories	 ~40,000 SF Large, Open Floor Plates
 16' HEIGHT Typical Floor-to-Floor Height	 125 LBS / SF Significant Floor Load Capacity
 22' x 33' Typical Column Spacing	 ~70:30 Lab/Office Life Science Warm Up
 LEED Gold Target Designation	 2.5 / 1,000 Parking Ratio



Proposed Improvements – Phase II



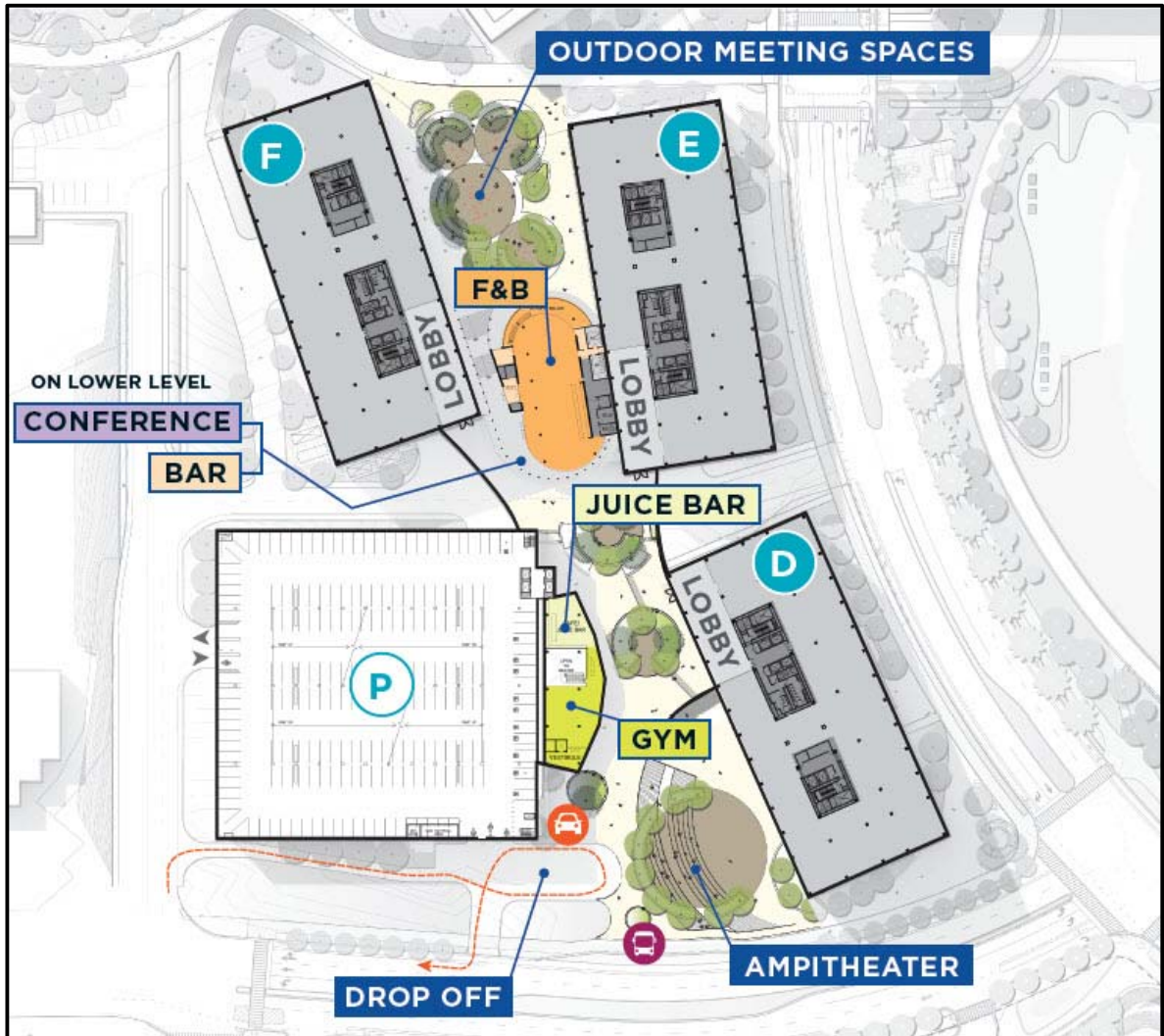
Proposed Improvements – Phase II Building D



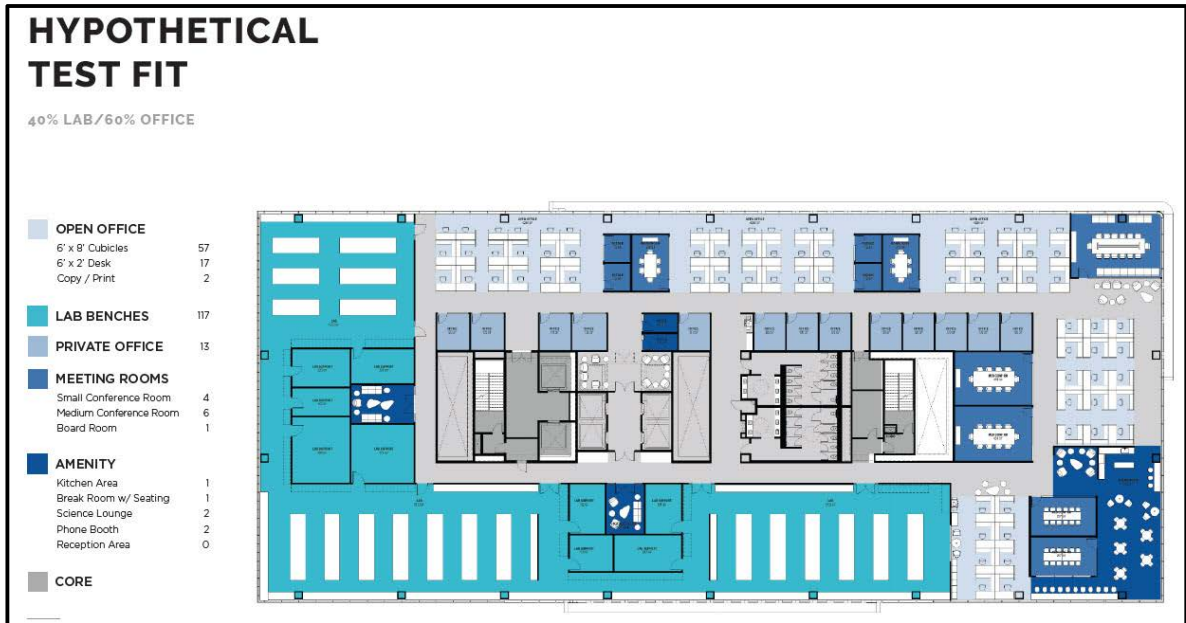
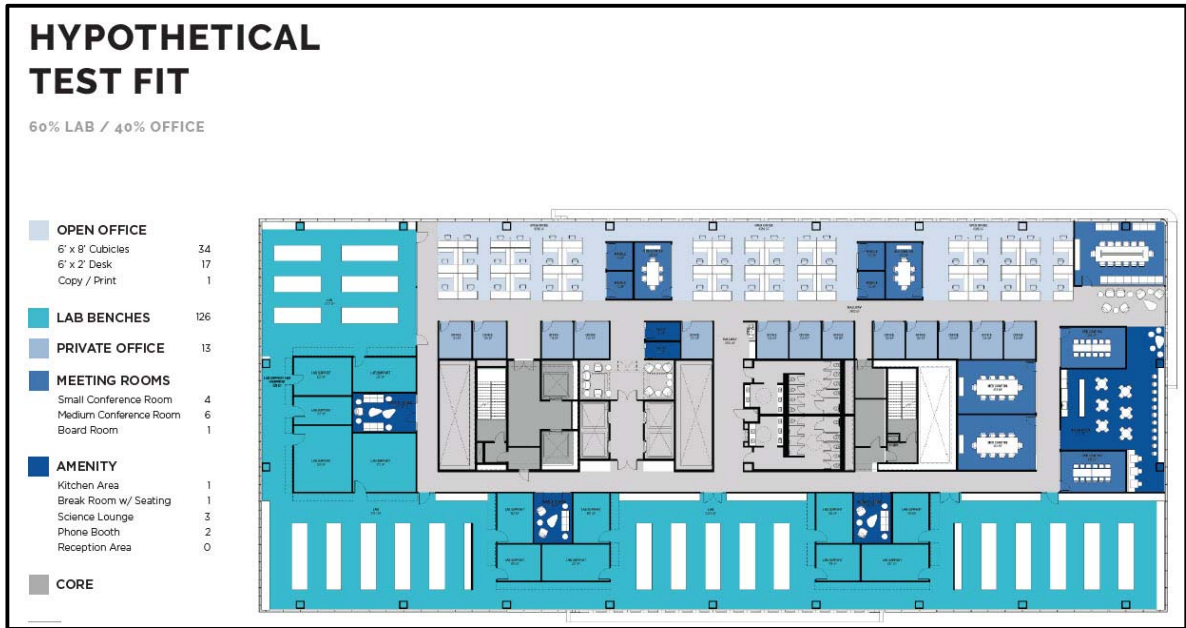
Proposed Open Space



Proposed Amenities – Phase II



Proposed Floor Plan – Phase II

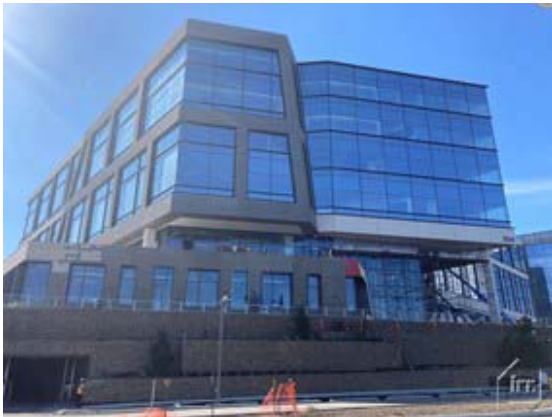




Phase I – Buildings B & C



Phase I – Building B



Phase I – Building A



Phase I – Building A & Outdoor Meeting Space



Stripe



Stripe



Stripe



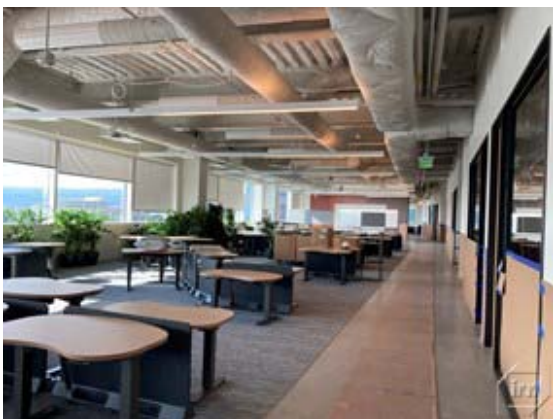
Stripe



Stripe



Stripe



Stripe



Stripe



Stripe



Breezeway



Stripe



View from Stripe Space



Flatwork



Cytokinetics



Cytokinetics



Cytokinetics



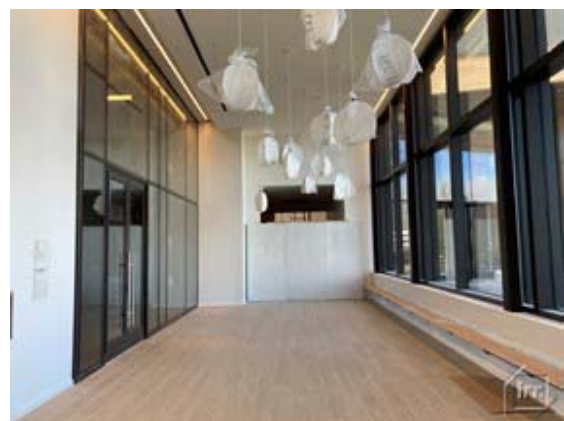
Cytokinetics



Cytokinetics



Cytokinetics



Shared Lobby



Parking Garage (shared by PH I buildings)



Open Space along Marina



Sewer Pump Station



Future Phase (improvements to be demolished)



Oyster Point Boulevard



Oyster Point Boulevard

Real Estate Taxes

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

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

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted as subdivision and development continues. According to the San Mateo County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.05790%. This tax rate does not include the Community Facilities District Special Tax, which is discussed below.

According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property within the District is presented in the following table (for the Fiscal Year 2021-22). We have calculated the Special Tax obligation of each Phase based upon gross building area.

City of South San Francisco CFD No. 2021-1 Special Taxes				
Special Tax A (facilities)		\$2.00	psf of non-residential floor area; developed land	
Special Tax B (services)		\$0.35	psf of non-residential floor area; developed land	
Phase	Building Area	Special Tax A	Special Tax B	Total
Phase I	546,601	\$1,093,202	\$191,310	\$1,284,512
Phase II	776,982	\$1,553,964	\$271,944	\$1,825,908
Phase III	427,883	\$855,766	\$149,759	\$1,005,525
Phase IV	455,224	\$910,448	\$159,328	\$1,069,776

It is noted, "Developed Property" is defined in the Rate and Method of Apportionment as, "all Assessor's Parcels of Taxable Property for which a Certificate of Occupancy was issued after January 1, 2021 an on or before May 1 of the Fiscal year preceding the Fiscal year for which the Special Taxes are being levied."

Highest and Best Use

Process

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

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

As If Vacant

Legally Permissible

The site is zoned OPSPD, Oyster Point Specific Plan District. Permitted uses include various commercial uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The subject is entitled for development of a life sciences campus, and the present entitlements are the result of significant planning and review; any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, and the subject entitlements, only life sciences use is given further consideration in determining highest and best use of the site, as though vacant.

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses, including those permitted by zoning.

Financially Feasible

Based on our analysis of the market, there is currently adequate demand for life sciences use in the subject's area. The life sciences market has strengthened since the onset of the pandemic, and vacancy rates remain low. In addition, rental rates have been increasing over the past year, and nearly all new construction is delivered pre-leased. As will be demonstrated in the upcoming extraction analyses, the land values for the subject's various Phases are positive, which demonstrates that office development is financially feasible. It appears that a newly developed life sciences use on the site would have a value commensurate with its cost. Therefore, life sciences use is considered to be financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than life sciences use. Accordingly, it is our opinion that life sciences use, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

Conclusion

Development of the site for life sciences use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

As Improved (Proposed)

As of the effective appraisal date, backbone infrastructure and vertical construction is nearly complete for Phase I, and Phase II construction recently commenced. The planned infrastructure improvements are necessary for development of future Phases. The proposed improvements are planned in accordance with the subject entitlements and are consistent with the highest and best use of the subject property as if vacant.

Most Probable Buyer

Taking into account the size, complexity, and characteristics of the property, there are two separate probable buyers associated with the subject. The most probable buyer of Phase I, given its current construction status, is a regional or national investor. The most probable buyer of Phases II, III, and IV is a sophisticated land developer with highly specialized knowledge of the local life sciences market.

Valuation

Valuation Methodology

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

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

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

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

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

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

This analysis begins with income capitalization approaches to determine the market value of the subject Phases as if complete and stabilized. A summary of sales of life sciences improvements is then presented as a test of reasonableness. Next, extraction analyses are employed to determine the value of Phase I, which will require no additional discounting, and of the underlying land for Phases II through IV. Finally, the subdivision development method is used to estimate the market value of the land components associated with Phases II through IV in bulk. The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered.

Income Capitalization Approach

The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Consider appropriate allowances for vacancy, collection loss, and operating expenses.
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income.
- Apply the most appropriate capitalization method, either direct capitalization or discounted cash flow analysis, or both, to convert anticipated net income to an indication of value.

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, we use only direct capitalization to determine the market value as if stabilized of the proposed improvements for the subject's taxable land. A direct capitalization analysis will be presented for each of the four phases within the District. Sales of newly constructed life science properties are somewhat scarce, but it is not uncommon for multiple buildings to be included in one transaction (often representing all or a portion of a campus) when transfers occur. A summary of the subject's existing and proposed improvements is recreated on the following page; the analysis for Phase I will be presented first.

Proposed Improvements								
Building	Phase	Rentable SF ¹	Gross SF	Stories	No. of Spaces	Completion Date ²	Tenant	Acreage ³
A (354 Oyster Point Blvd)		421,000	147,070	5	-		Stripe	
B (352 Oyster Point Blvd)	1		179,524	6	-	End of 2021		10.07
C (350 Oyster Point Blvd)		234,892	220,007	7	-		Cytokinetics	
Parking Structure		-	-	4	1,190			
Total Phase 1		655,892	546,601					
D		315,000	282,164	8	-		-	
E	2	275,000	247,409	7	-	Early 2024	-	9.80
F		275,000	247,409	7	-		-	
Parking Structure		-	-	10	2,016		-	
Total Phase 2		865,000	776,982					
G		250,000	215,229	6	-		-	
H	3	250,000	212,654	6	-	2025/2026	-	10.05
Parking Structure		-	-	9	2,356		-	
Total Phase 3		500,000	427,883					
I		250,000	205,762	6	-		-	
J	4	250,000	249,462	7	-	2025/2026	-	10.05
Total Phase 4		500,000	455,224					

¹ Total Phase II, III, and IV divided evenly over number of buildings, in-lieu of more specific calculations.

² Phases III & IV are dependent on market demand; anticipated delivery 2025 or 2026.

³ Phase III & IV acreage is approximate and may vary in final lot-line adjustments.

Leased Status of Property – Phase I

Phase I includes three buildings leased to two tenants. The rent roll for Phase I is provided below. Please note, the lease commencement date is somewhat of an estimate, as it is contingent on delivery of the improvements. However, Stripe is began occupying Level 2 of Building B at the end of October 2021 and is expected to occupy another floor every two weeks. Stripe will also occupy Building A in February 2022. Cytokinetics is projected to occupy Building C in January 2022.

Rent Roll									
Suite	Tenant	SF	Lease Start	Lease End	Term (Mos.)	Lease Type	Income Type	Contract Rent	Contract Rent/SF/Mo.
Bldg C	Cytokinetics	234,892	1/1/2022	12/31/2033	144	Triple Net	\$/SF/Mo.	\$15,502,872	\$5.50
Bldg A & B	Stripe	421,000	1/1/2022	12/31/2033	144	Triple Net	\$/SF/Mo.	\$27,533,400	\$5.45
	Total/Average*	655,892						\$43,036,272	\$5.47
	Vacant SF	0	0%						
	Leased SF	655,892	100%						

*Average contract rent is based on leased square feet.

Both leases have annual escalations of 3.5%.

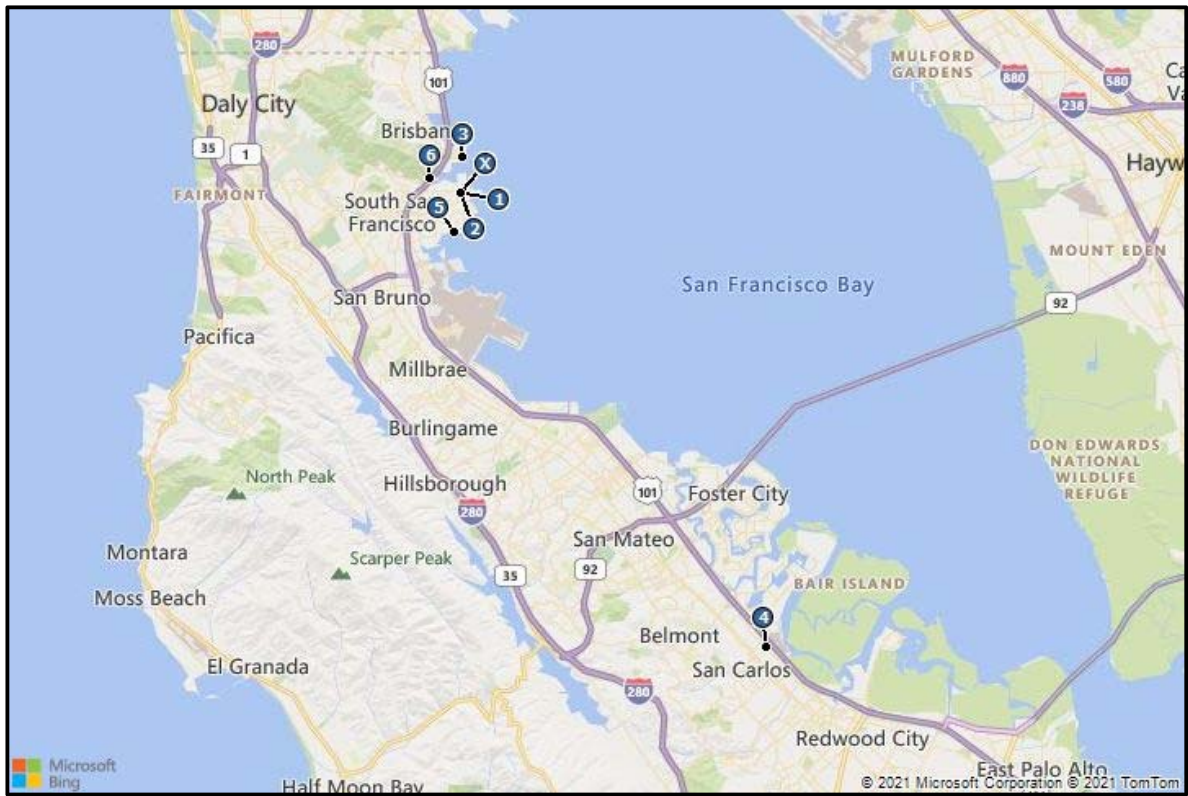
Market Rent Analysis – Phase I

Contract rents typically establish income for leased space, while market rent is the basis for estimating income for current vacant space and future speculative re-leasing of space due to expired leases. To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, property type, size, and transaction date. Comparables used in our analysis are summarized in the following table. Comparables 1 and 2 reflect the subject leases

Summary of Comparable Rentals - Life Science

No.	Property Information	Description	Tenant	SF	Contract Date	Lease Start	Term (Mos.)	Rent/SF	Escalations	Free Rent (Months)	TI/SF	Lease Type	
1	Kilroy Oyster Point 379 Oyster Point Blvd. South San Francisco San Mateo County CA	Yr Blt. Stories: RA:	2021 – 421,000	Stripe	421,000	Oct-19	Jan-22	144	\$5.50	Fixed Percentage	–	–	Triple Net
<i>Comments: Lease of two newly constructed buildings (352 and 354 Oyster Point Boulevard) to tech tenant Stripe, which focuses on payment processing. The commencement date is an estimate, as the lease begins upon completion of the landlord's work; the lease was negotiated in 2019.</i>													
2	Kilroy Oyster Point 379 Oyster Point Blvd. South San Francisco San Mateo County CA	Yr Blt. Stories: RA:	2021 – 234,892	Cytokinetics, Inc	234,892	Jul-19	Jan-22	144	\$5.45	Fixed Percentage	2	\$145.00	Triple Net
<i>Comments: Twelve year lease of newly constructed space in Oyster Point to a life sciences user. Lease was negotiated in 2019; the commencement date is approximate, as the lease will begin when the landlord's work is complete. The improvements will include an auditorium, fitness center, food and beverage space. The tenant received two months of free rent and a \$145 psf TI allowance.</i>													
3	The Shore at Sierra Point 1400 Sierra Point Pky. Brisbane San Mateo County CA	Yr Blt. Stories: RA:	2021 – 616,000	Annexon, Inc.	65,818	Dec-20	Nov-21	120	\$5.75	Fixed Percentage	3	\$165.00	Triple Net
<i>Comments: Lease of newly constructed life sciences space within Building C at The Shore at Sierra Point campus to a biosciences tenant. Commencement date is an estimate, as occupancy is dependent on completion of construction. The tenant received 3 months of free rent and a \$165 psf TI allowance.</i>													
4	Alexandria District for 825-835 Industrial Rd. San Carlos San Mateo County CA	Yr Blt. Stories: RA:	2021 6 282,190	Allakos	93,332	Feb-20	Jul-21	124	\$5.75	Fixed Percentage	6	\$150.00	Triple Net
<i>Comments: Lease of life science/biotech space at the Alexandria District for Science and Technology, a two building development nearing completion in San Carlos. Lease includes TI allowance of \$150/SF plus additional TIs to be amortized at 8%.</i>													
5	201 Haskins Way 201 Haskins Way South San Francisco San Mateo County CA	Yr Blt. Stories: RA:	2021 – 315,000	Lyell	105,000	Feb-20	Feb-21	120	\$5.50	Fixed Percentage	–	–	Triple Net
<i>Comments: Lease within newly constructed life sciences building in South San Francisco to Lyell Pharmaceuticals. Lease was signed in February 2020 but commenced in February 2021.</i>													
6	Genesis North Tower 2 Tower Pl. South San Francisco San Mateo County CA	Yr Blt. Stories: RA:	2019 21 375,000	Fluidigm	77,929	Mar-19	Jan-20	123	\$5.60	Fixed Percentage	2	\$176.00	Triple Net
<i>Comments: New 123-month lease to biotech tenant within the Genesis life sciences campus. The tenant received a \$176 psf TI allowance and the equivalent of 2 months of free rent. The free rent was structured as a rent abatement on a portion of the space over the first 8 month of the lease.</i>													

Comparable Rentals Map





Lease 1
Kilroy Oyster Point



Lease 2
Kilroy Oyster Point



Lease 3
The Shore at Sierra Point



Lease 4
Alexandria District for Science & Technology



Lease 5
201 Haskins Way



Lease 6
Genesis North Tower

Rental Analysis Factors

The following elements of comparison are considered in our analysis of the comparable rentals.

Rental Analysis Factors	
Expense Structure	Division of expense responsibilities between landlord and tenants.
Conditions of Lease	Extraordinary motivations of either landlord or tenant to complete the transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on rent; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Difference in rental rates that is often attributable to variation in sizes of leased space.
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Variations in rental rate attributable to such factors as free rent or other concessions, pattern of rent changes over lease term, or tenant improvement allowances.

Each of the comparables reflect a triple net expense structure, which is common for life sciences leases. A summary of expense responsibilities is presented below.

Subject Expense Structures		
Space Type Lease Type	Life Science	
	Triple Net	
	Owner	Tenant
Real Estate Taxes		x
Insurance		x
Utilities		x
Repairs/Maintenance		x
Cleaning/Janitorial		x
General/Administrative		x
Management	x	

Analysis of Comparable Rentals – Phase I

The comparable rentals are compared to the subject and adjusted to account for material differences that affect market rental value. The following table summarizes our analysis of each comparable.

Rental Analysis Summary - Life Science

No.	Property Name; Tenant	Leased SF	Rent/SF	Overall Comparison to Subject	Comments
1	Kilroy Oyster Point Stripe	421,000	\$5.50	Similar	Lease was negotiated in October 2019 and includes two buildings.
2	Kilroy Oyster Point Cytokinetics, Inc	234,892	\$5.45	Similar	Lease was negotiated in July 2019.
3	The Shore at Sierra Point Annexon, Inc.	65,818	\$5.75	Similar	Contract date is December 2020; lease commences upon completion of construction.
4	Alexandria District for Allakos	93,332	\$5.75	Similar	Space is located in San Carlos. Contract date is February 2020 and improvements are nearing completion.
5	201 Haskins Way Lyell	105,000	\$5.50	Similar	Lease commenced in February 2021 and was negotiated in February 2020.
6	Genesis North Tower Fluidigm	77,929	\$5.60	Similar	Space is located within a high-rise (21-story) life sciences building. The lease was negotiated in March 2019.

Market rent is the rental income that a property would most probably command in the marketplace. A number of comparable life sciences properties within the subject's market area were surveyed in order to determine market rent. The comparable properties presented above are considered the most similar to the subject that we could accurately confirm.

In addition to expense structure, factors considered when adjusting the comparables consisted of lease conditions, market conditions, and differences in physical characteristics. In equating the comparables to the subject, all are considered reasonable indicators of market rent.

With the exception of Comparable 1 (the subject lease to Stripe, a technology tenant), each of the above comparables reflect leases to life sciences users. The comparables are located in South San Francisco, Brisbane, and San Carlos, and all leases reflect new construction. It is common for newly constructed life sciences properties to be pre-leased prior to completion of construction, meaning leases for properties coming to market in 2021 were negotiated in 2019 and 2020.

Demand for life sciences space has only increased in 2021 and the second half of 2020; this is partly due to supply constraints and the lack of available space, as well as increased interest in the life

sciences sector due to the onset of the COVID-19 pandemic. A paired analysis of leases located at comparable life science campuses suggest rental rates have increased between 4% and 8% from 2020 to 2021. In addition, we are aware of two confidential proposed leases (one executed lease and one letter of intent) for under construction space (over 100,000 square feet) at a life sciences campus competitive with the subject. The rental rates range from \$6.65 to \$7.75 per square foot, triple net with 3.5% annual increases; the TI allowance is slightly above the range indicated by the previous comparables. These rates for leases with future commencement dates reflect an increase over the rental rates indicated by the previous comparable set. Given strengthening market conditions, and continued strong pre-leasing activity, we conclude to different rental rates for the subject's existing (nearly complete) Phase I buildings and the proposed Phases II through IV buildings.

After analysis, the comparables indicate that a rental rate of \$5.65 per square foot per month, triple net, is applicable to the subject's Phase I space. We estimate market rent for Phases II through IV at \$6.00 per square foot, per month, triple net. This reflects an increase of approximately 6% over Phase I rates. As sustained growth multiple years in the future remains somewhat speculative, we have elected not to trend rents for Phases III and IV over the market rent conclusion for Phase II.

Market Rent Conclusion

Based on the preceding analysis of comparable rentals and trends evident in the market, we conclude market lease terms for the subject as follows:

Concluded Market Lease Terms - Phase I

Space Type	Market		Rent		Lease Term (Mos.)	Free Rent (Mos.)	TI/SF New
	Rent	Measure	Escalations	Lease Type			
Life Science	\$5.65	\$/SF/Mo.	3.5% annually	Triple Net	120	3	\$165.00

Concluded Market Lease Terms - Phases II, III, & IV

Space Type	Market		Rent		Lease Term (Mos.)	Free Rent (Mos.)	TI/SF New
	Rent	Measure	Escalations	Lease Type			
Life Science	\$6.00	\$/SF/Mo.	3.5% annually	Triple Net	120	3	\$165.00

Annual escalations of 3.5% are common among comparable properties in the local market. Free rent and TI allowances range from two to six months and \$145 to \$176 per square foot, respectively. Conversations with local brokers indicate TI allowances between \$175 to \$200 per square foot are also becoming common for new life science space.

Stabilized Income and Expenses

Potential Gross Rent

Potential gross rent is typically based on contract rent from the existing leases in place and market rent for vacant space. As indicated in the following table, contract rent for Phase I is generally consistent with our market rent conclusion. It is our opinion the subject's Phase I rental rates (and corresponding TI allowances) are consistent with the local market and contract rent will be utilized in the upcoming Phase I analysis. The previously concluded market rent will be used to calculate potential gross rent for Phases II, III, and IV. Potential gross rent for these phases is reported below.

Income is projected for the 12-month period following the effective date of the appraisal.

Potential Gross Rent - Phase I

Space Type	SF	Potential Rent at Contract		Potential Rent at Market		Contract as % of Market
		Annual	\$/SF/Mo.	\$/SF/Mo.	Annual	
Life Science	655,892	\$43,036,272	\$5.47	\$5.65	\$44,469,478	97%
Total Subject	655,892	\$43,036,272	\$5.47	\$5.65	\$44,469,478	97%

Potential Gross Rent - Phase II

Space Type	SF	Potential Rent at Market	
		\$/SF/Mo.	Annual
Total Subject	865,000	\$6.00	\$62,280,000

Potential Gross Rent - Phase III & IV

Space Type	SF	Potential Rent at Market	
		\$/SF/Mo.	Annual
Total Subject	500,000	\$6.00	\$36,000,000

Expense Reimbursements

Reimbursement income is based upon a triple net expense structure that requires tenants to reimburse the owner for all operating expenses except management.

Vacancy & Collection Loss

Please refer to the *Life Sciences Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. Space within the life sciences market remains severely constrained and there is limited available space. Conversations with market participants indicate there is strong demand for life sciences space within the development pipeline through at least 2025. As discussed, new construction typically comes online preleased. Therefore, stabilized vacancy and collection loss is estimated at 3.0% for all Phases.

Effective Gross Income – Phase I

Effective gross income for Phase I is calculated at \$59,467,616, or \$90.67 per square foot.

Expenses

To estimate pro forma operating expenses for the subject property, we considered expense data from comparable life sciences properties throughout the Bay Area. Due to the somewhat limited availability of data, we have supplemented Bay Area expense data with Class A, recently constructed, life sciences data in coastal markets across the United States. Note that a replacement reserve expense has not been estimated for the subject property, since the overall capitalization rates extracted from the sales data did not include this as an expense. Management is estimated at 2% of effective gross income.

Additionally, property taxes have been calculated by applying the subject's tax rate to the market value estimate via the income capitalization approach. The premise is that taxes would be reassessed upon the sale of the property.

As previously described herein, the subject is encumbered with special taxes due to the City of South San Francisco CFD No. 2021-1 (Public Facilities and Services); tenants are expected to reimburse for this expense, consistent with a triple net expense structure. Operating projections for Phase I are reported below.

Operating Projections - Phase I

	IRR Projection
Income	
Base Rent	\$43,036,272
Expense Reimbursements	18,759,885
Potential Gross Income*	\$61,796,157
Vacancy & Collection Loss @ 3.0%	-1,853,885
Effective Gross Income	\$59,942,273
Expenses	
Real Estate Taxes	\$9,407,901
CFD 2021-1 Special Tax	1,284,512
Insurance	655,892
Utilities	3,607,406
Repairs/Maintenance	1,967,676
Cleaning/Janitorial	852,660
General/Administrative	983,838
Management	1,198,845
Total Expenses	\$19,958,731
Net Operating Income	\$39,983,542
Operating Expense Ratio	33.3%

*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss.

The following table reflects life science comparables in San Mateo and Alameda Counties.

Expense Analysis per Square Foot - Bay Area

	Comp Data*				Subject
	Comp 1	Comp 2	Comp 3	Comp 4	Projected Expenses
Year Built	2000		1998		2021
SF	176,955	183,344	92,250	81,569	655,892
Prevailing Lease Type	Triple Net	Triple Net	Triple Net	–	Triple Net
Operating Data Type	In Place	In Place	In Place	In Place	
Year	2019	2019	2019	2019	IRR Projection
Real Estate Taxes	\$7.89	\$5.98	\$3.11	\$8.23	\$14.34
CFD 2021-1 Special Tax	\$0.00	\$0.00	\$0.00	\$0.00	\$1.96
Insurance	\$1.29	\$0.63	\$0.55	\$0.41	\$1.00
Utilities	\$6.76	\$5.38	\$0.15	\$0.01	\$5.50
Repairs/Maintenance	\$4.36	\$2.33	\$1.42	\$0.45	\$3.00
Cleaning/Janitorial	\$0.29	\$0.33	\$0.00	\$0.00	\$1.30
General/Administrative	\$0.39	\$0.79	\$0.07	\$1.50	\$1.50
Management	\$2.23	\$1.78	\$0.60	\$3.00	\$1.83
Total	\$23.20	\$17.22	\$5.90	\$13.60	\$30.43
Operating Expense Ratio	31.2%	29.0%	20.2%	19.0%	33.3%

Life science properties often have higher utility costs than traditional office properties. For additional support, we consider the following Class A comparables in Cambridge and Boston, Massachusetts, and Seattle, Washington.

Expense Analysis per Square Foot - Coastal Markets

	Comp Data*				
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Year Built	2006	2018	2018	2015	2004
SF	128,601	224,252	160,035	123,838	127,537
Prevailing Lease Type	Triple Net	Triple Net	Triple Net	–	–
Operating Data Type	Pro-forma	Pro-forma	Pro-forma	In Place	In Place
Year	2019	2021	2019	2019	2019
Real Estate Taxes	\$7.82	\$10.56	\$7.79	\$4.74	\$1.15
CFD 2021-1 Special Tax	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance	\$0.32	\$0.20	\$0.56	\$0.42	\$0.36
Utilities	\$1.36	\$3.82	\$1.62	\$3.27	\$5.03
Repairs/Maintenance	\$2.05	\$3.82	\$1.36	\$3.77	\$3.86
Cleaning/Janitorial	\$0.68	\$2.73	\$1.13	\$0.77	\$0.40
Grounds	\$0.00	\$1.37	\$0.06	\$0.00	\$0.00
Security	\$0.78	\$0.00	\$2.08	\$0.00	\$0.00
General/Administrative	\$4.74	\$0.82	\$0.95	\$2.47	\$3.12
Management	\$3.36	\$1.89	\$1.69	\$1.64	\$1.87
Total	\$21.11	\$25.21	\$17.24	\$17.09	\$15.80
Operating Expense Ratio	35.5%	27.8%	27.8%	22.2%	25.3%

Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We consider the following data in selecting a capitalization rate for the subject. The first table includes Bay Area life sciences properties; however, due to the age of the majority of the comparables, we also consider Class A trophy life sciences properties in other national markets in the second table.

Capitalization Rate Comparables - Bay Area

No.	Property Name	Year Built	Sale Date	Rentable Area	% Occup.	Effective Price/SF	Cap Rate
1	Genesis South San Francisco	N/A	10/15/2020	784,088	96%	\$1,294.50	4.80%
2	130-150 Shoreline Dr.	1986	4/23/2020	81,569	100%	\$993.02	5.80%
3	7000 Marina Blvd.	1986	6/27/2019	90,000	100%	\$855.56	4.40%
4	75-125 Shoreway Rd.	1978	1/11/2019	82,462	100%	\$887.68	4.90%
5	500 Forbes Blvd	2001	8/6/2019	155,685	100%	\$995.60	4.20%
Indicated Cap Rate Range:						4.20% - 5.80%	
Average (Mean) Cap Rate:						4.82%	

Capitalization Rate Comparables - National Life Science Properties

No.	Property Name	City	Sale Date	Rentable Area	Effective Price/SF	Cap Rate	
1	Cambridge Discovery Park	Boston	12/1/2020	604,064	\$1,191.93	4.30%	
2	Project Genome	Cambridge	3/1/2021	1,729,376	\$1,994.94	4.00%	
3	One Memorial	Cambridge	8/1/2021	409,422	\$2,015.28	3.90%	
Indicated Cap Rate Range:						3.90% - 4.30%	
Average (Mean) Cap Rate:						4.07%	

The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age and overall quality were taken into account when equating sales and rent comparables to the subject in order to determine market value. The same is true when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream (terms of leases and strength of tenants), as well as general economic conditions and local market conditions.

The subject improvements will reflect new construction; given the ages of the comparables, this would apply downward pressure to the average reported cap rate. In addition, we also discussed the local Bay Area life sciences market with a broker with CBRE active in the space; he stated life sciences

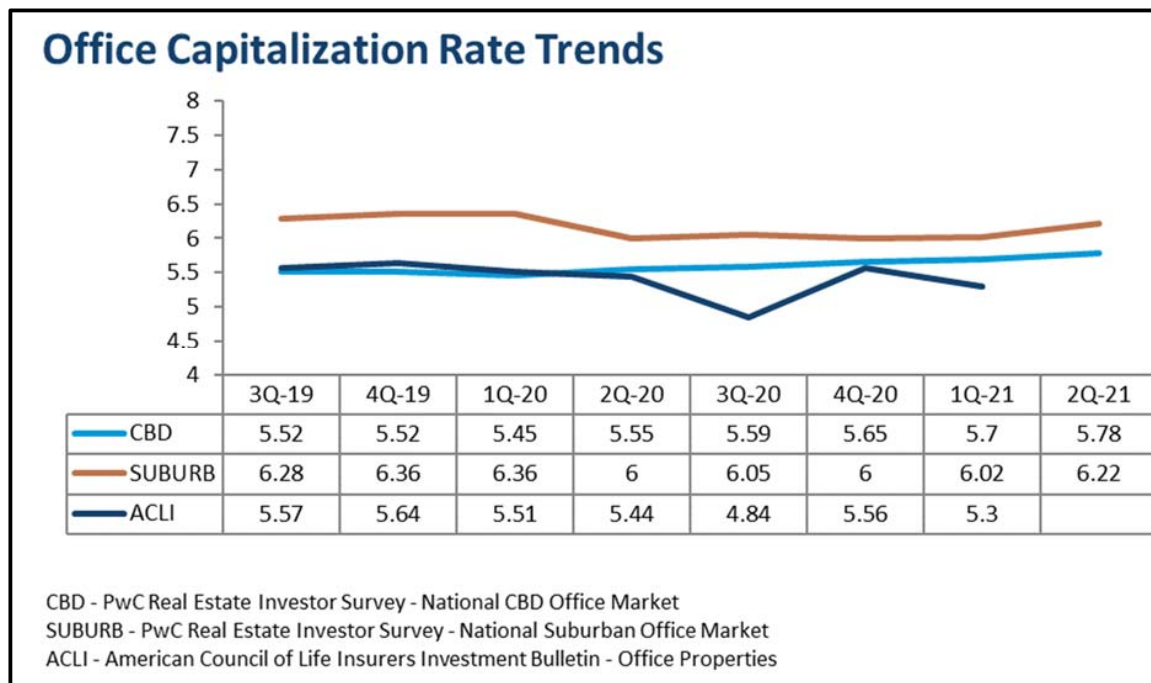
cap rates for new product are currently between 4.00% and 4.50%. We are also aware of an under construction life sciences building in San Francisco which has a forecasted cap rate of 4.75 for modeling purposes.

To determine a capitalization rate for the subject we have also examined capitalization rate information published in national surveys, presented on the following page.

Capitalization Rate Surveys – Office Properties

	IRR-ViewPoint National CBD Office	IRR-ViewPoint National Suburban Office	PwC 2Q-21 National CBD Office	PwC 2Q-21 National Suburban Office	ACLI 1Q-21 National Office
Range	5.00% - 11.00%	5.50% - 9.75%	4.25% - 8.00%	4.00% - 9.00%	NA
Average	7.31%	7.54%	5.78%	6.22%	5.30%

Source: IRR-Viewpoint 2021; PwC Real Estate Investor Survey; American Council of Life Insurers Investment



It should be noted, the above rates reflect all types of office space and therefore tend to be higher than what would be expected for newly constructed, Class A, life sciences space in the Bay Area market.

Capitalization Rate Conclusion

Based on an analysis of the preceding data, a going-in capitalization rate for the subject is indicated within a range of 4.00% to 5.00%. To reach a capitalization rate conclusion, we consider each of the



following investment risk factors to gauge its impact on the rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral influence of each factor.

Risk Factor	Issues	Impact on Rate
Income Characteristics	Credit strength of tenant, escalation pattern, above/below market rent, rollover risk. Phase I is leased at market, and market rent utilized in the analyses for Phases II, III, and IV.	↔
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new, Class A construction in a highly desirable life sciences submarket.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject has good interstate access and reasonably good access to public transit. In addition, the subject is located within a cluster of other life sciences users.	↓
Market	Vacancy rates and trends; rental rate trends; supply and demand. Life sciences supply remains constrained, and rental rates have increased over the past year.	↓
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject proposal is consistent with the highest and use of the property.	↔
Overall Impact		↓

Phase I reflects a fully pre-leased property which is expected to be completely occupied early in 2022. Construction of Phases II, III, and IV have longer timelines, with construction of Phase II just now commencing. Considering the development size of Phases II through IV, and future timelines associated with development, we conclude capitalization rates for Phase I and Phases II through IV as follows:

Capitalization Rate Conclusion - PH I

Method	Capitalization Rate Indication
Analysis of Comparable Sales	4.20% - 5.80%
National Investor Surveys	5.50% - 6.00%
Market Participant Interviews	4.00% - 4.50%
Primary Weight	Comparable Sales
Secondary Weight	Market Participant Interviews
Conclusion	4.50%

Capitalization Rate Conclusion Phases II - IV

Conclusion	4.75%
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Direct Capitalization Analysis – Phase I

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the following table.

Direct Capitalization Analysis - Phase I						
	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Cytokinetics	234,892	Life Science	Contract	\$66.00	\$15,502,872	–
Stripe	421,000	Life Science	Contract	\$65.40	\$27,533,400	–
Potential Gross Rent	655,892				\$43,036,272	\$65.61
Expense Reimbursements					\$18,759,885	\$28.60
Net Parking Income					\$0	\$0.00
Potential Gross Income					\$61,796,157	\$94.22
Vacancy & Collection Loss	3.00%				-\$1,853,885	-\$2.83
Other Income					\$0	\$0.00
Effective Gross Income					\$59,942,273	\$91.39
Expenses						
Real Estate Taxes					\$9,407,901	\$14.34
CFD 2021-1 Special Tax					\$1,284,512	\$1.96
Insurance					\$655,892	\$1.00
Utilities					\$3,607,406	\$5.50
Repairs/Maintenance					\$1,967,676	\$3.00
Cleaning/Janitorial					\$852,660	\$1.30
General/Administrative					\$983,838	\$1.50
Management	2.00%				\$1,198,845	\$1.83
Total Expenses					\$19,958,731	\$30.43
Net Operating Income					\$39,983,542	\$60.96
Capitalization Rate					4.50%	
Indicated Value					\$888,523,152	\$1,354.68
Rounded					\$888,500,000	\$1,354.64

Phase I is currently 100% leased. Lease up costs for the subject's remaining Phases will be considered in the upcoming extraction analyses.

Direct Capitalization Analysis – Phases II, III, & IV

The same methodology is utilized in the valuation of the proposed improvements, as if stabilized, for Phases II, III, and IV. A separate direct capitalization analysis is provided for each Phase.

Consistent with Phase I, a 3% vacancy and collection loss is assumed for the remaining improvements. As noted, market rent is concluded to be \$6.00 per square foot, per month, triple net. However, as will be demonstrated, construction costs are also projected to increase for future phases.

Direct Capitalization Analysis - Phase II

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Vacant	315,000	Life Science	Market	\$72.00	\$22,680,000	–
Vacant	275,000	Life Science	Market	\$72.00	\$19,800,000	–
Vacant	275,000	Life Science	Market	\$72.00	\$19,800,000	–
Potential Gross Rent	865,000				\$62,280,000	\$72.00
Expense Reimbursements					\$25,379,914	\$29.34
Net Parking Income					\$0	\$0.00
Potential Gross Income					\$87,659,914	\$101.34
Vacancy & Collection Loss	3.00%				-\$2,629,797	-\$3.04
Other Income					\$0	\$0.00
Effective Gross Income					\$85,030,117	\$98.30
Expenses						
Real Estate Taxes					\$12,914,506	\$14.93
CFD 2021-1 Special Tax					\$1,825,908	\$2.11
Insurance					\$865,000	\$1.00
Utilities					\$4,757,500	\$5.50
Repairs/Maintenance					\$2,595,000	\$3.00
Cleaning/Janitorial					\$1,124,500	\$1.30
General/Administrative					\$1,297,500	\$1.50
Management	2.00%				\$1,700,602	\$1.97
Total Expenses					\$27,080,516	\$31.31
Net Operating Income					\$57,949,600	\$66.99
Capitalization Rate					4.75%	
Indicated Value					\$1,219,991,584	\$1,410.39
Rounded					\$1,220,000,000	\$1,410.40

Direct Capitalization Analysis - Phase III

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Vacant	250,000	Life Science	Market	\$72.00	\$18,000,000	–
Vacant	250,000	Life Science	Market	\$72.00	\$18,000,000	–
Potential Gross Rent	500,000				\$36,000,000	\$72.00
Expense Reimbursements					\$14,624,529	\$29.25
Net Parking Income					\$0	\$0.00
Potential Gross Income					\$50,624,529	\$101.25
Vacancy & Collection Loss	3.00%				-\$1,518,736	-\$3.04
Other Income					\$0	\$0.00
Effective Gross Income					\$49,105,793	\$98.21
Expenses						
Real Estate Taxes					\$7,469,004	\$14.94
CFD 2021-1 Special Tax					\$1,005,525	\$2.01
Insurance					\$500,000	\$1.00
Utilities					\$2,750,000	\$5.50
Repairs/Maintenance					\$1,500,000	\$3.00
Cleaning/Janitorial					\$650,000	\$1.30
General/Administrative					\$750,000	\$1.50
Management	2.00%				\$982,116	\$1.96
Total Expenses					\$15,606,645	\$31.21
Net Operating Income					\$33,499,148	\$67.00
Capitalization Rate					4.75%	
Indicated Value					\$705,245,226	\$1,410.49
Rounded					\$705,200,000	\$1,410.40

Direct Capitalization Analysis - Phase IV						
	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Vacant	250,000	Life Science	Market	\$72.00	\$18,000,000	–
Vacant	250,000	Life Science	Market	\$72.00	\$18,000,000	–
Potential Gross Rent	500,000				\$36,000,000	\$72.00
Expense Reimbursements					\$14,688,081	\$29.38
Net Parking Income					\$0	\$0.00
Potential Gross Income					\$50,688,081	\$101.38
Vacancy & Collection Loss	3.00%				-\$1,520,642	-\$3.04
Other Income					\$0	\$0.00
Effective Gross Income					\$49,167,439	\$98.33
Expenses						
Real Estate Taxes					\$7,468,305	\$14.94
CFD 2021-1 Special Tax					\$1,069,776	\$2.14
Insurance					\$500,000	\$1.00
Utilities					\$2,750,000	\$5.50
Repairs/Maintenance					\$1,500,000	\$3.00
Cleaning/Janitorial					\$650,000	\$1.30
General/Administrative Management	2.00%				\$750,000	\$1.50
					\$983,349	\$1.97
Total Expenses					\$15,671,430	\$31.34
Net Operating Income					\$33,496,009	\$66.99
Capitalization Rate					4.75%	
Indicated Value					\$705,179,133	\$1,410.36
Rounded					\$705,200,000	\$1,410.40

As rentable area for Phases III and IV is proposed to be 500,000 square feet for both phases, the direct capitalization values are consistent. A summary of the market value, as if stabilized, of the subject improvements via the direct capitalization analyses is provided below.

Summary of Direct Capitalization Values			
	Conclusion	Rentable SF	Per Rentable SF
Phase I	\$888,500,000	655,892	\$1,354.64
Phase II	\$1,220,000,000	865,000	\$1,410.40
Phase III	\$705,200,000	500,000	\$1,410.40
Phase IV	\$705,200,000	500,000	\$1,410.40

As further support for our improved value conclusions, we have arrayed a series of office sales in San Mateo County. The transactions occurred between January 2019 and October 2020.

Summary of Comparable Improved Sales									
No.	Name/Address	Sale Date; Status	Yr. Blt.; # Stories; % Occ.	Acres; FAR; Parking Ratio	Prop Class; Const Type; Prop Rights	Effective Sale Price	Rentable SF	\$/Rentable SF	Cap Rate
1	Genesis South San Francisco 2 Tower Pl South San Francisco San Mateo County CA	Oct-20 Closed	– – 96%	20.15 – 2.61/1,000	A Steel Leased Fee	\$1,015,000,000	784,088	\$1,294.50	4.80%
<p><i>Comments: Sale of three life sciences buildings totaling nearly 800,000 square feet in South San Francisco. The improvements include 1 Tower Place (340,000 square feet), 2 Tower Place (374,433 square feet), and 4000 Shoreline Court (72,000 square feet). The sale price calculates to approximately \$1,295 per square foot, and the buyer reports a cap rate of 4.8%.</i></p>									
2	130-150 Shoreline Dr. 130-150 Shoreline Dr. Redwood City San Mateo County CA	Apr-20 Closed	1986 – 100%	5.01 0.37 3.05/1,000	B CTU Leased Fee	\$81,000,000	81,569	\$993.02	5.80%
<p><i>Comments: Sale of an office/R&D building located along Shoreline Dr. in Redwood City. The building was 100% occupied at the time of sale by Auris Health, a subsidiary of Johnson and Johnson developing bronchoscopy diagnostic and therapeutic procedures. The buyers reportedly paid \$42.7 million in cash, and also assumed the existing interest only loan. The debt assumption did not appear to have any impact on the purchase price, but representatives of Eastdil Secured did not respond to requests for additional information. The property was reportedly renovated in 2017 with state of the art lab and manufacturing space. The cap rate is based on income in place at the time of sale. The contract rents appear to be near market rates.</i></p>									
3	7000 Marina Blvd. 7000 Marina Blvd. Brisbane San Mateo County CA	Jun-19 Closed	1986 – 100%	4.56 0.45 2.92/1,000	A 0 Leased Fee	\$77,000,000	90,000	\$855.56	4.40%
<p><i>Comments: Sale of a recently renovated multi-story biotech building located at Sierra Point in Brisbane. Seller verified sale details and indicated that the interior of the building had "very heavy" life science lab build-out at a cost of more than \$500/SF over warm shell. NOI and OAR are based on actual income at the time of sale.</i></p>									
4	75-125 Shoreway Rd. 75-125 Shoreway Rd. San Carlos San Mateo County CA	Jan-19 Closed	1978 1 100%	2.76 0.69 3.20/1,000	B CTU Leased Fee	\$73,200,000	82,462	\$887.68	4.90%
<p><i>Comments: Sale of two R&D/biotech buildings located along Shoreway Rd. in San Carlos. The buildings were reportedly at stabilized occupancy at the time of sale with multiple biotech tenants including BioCardia and Alkahest. No brokers were listed on the transaction and none of the participants responded to requests for additional information. The in place capitalization rate of 4.9% was reported by a broker active in the Bay Area life science property sector, but was uninvolved in this transaction.</i></p>									

The comparables range from \$855.56 to \$1,294.50 per square foot. Comparable 1, at the high end of the range, is most similar to the subject, as it reflects a large transaction (784,088 square feet of life sciences space for \$1,015,000,000) of life sciences space. It includes three buildings built in 2009, 2019, and 2001. The remaining comparables reflect older construction. The subject conclusions range from \$1,355 to \$1,410 per square foot of rentable area. Phase I is approximately 5% above the comparable range, while Phases II through IV are approximately 9% above the high end of the range. However, this is considered reasonable because the subject will reflect new construction and market conditions have strengthened since January 2019 through October 2020.

Extraction Analysis

Extraction (residual) analyses are employed to determine the market value of Phase I and of the land associated with Phases II through IV. An extraction (residual) analysis takes into account revenue, direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of land value. An extraction analysis will be conducted for each of the subject's taxable Phases. The elements of the extraction technique are discussed below.

Revenue

The market value as if stabilized was provided in the previous sections for each of the subject Phases. A summary of the market value conclusions is provided below.

Summary of Direct Capitalization Values			
	Conclusion	Rentable SF	Per Rentable SF
Phase I	\$888,500,000	655,892	\$1,354.64
Phase II	\$1,220,000,000	865,000	\$1,410.40
Phase III	\$705,200,000	500,000	\$1,410.40
Phase IV	\$705,200,000	500,000	\$1,410.40

Direct and Indirect Construction Costs

The next step in the extraction technique is to estimate typical costs associated with the construction of life sciences improvements.

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs. Recent conversations with builders confirm construction costs have increased over the last several years.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies;
- Appraisal, consulting, accounting and legal fees;
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered;
- All-risk insurance;
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved.

Indirect costs can vary widely as a percentage of the direct costs, as indicated in the comparable expense table below.

The subject reflects a master planned life sciences campus. The similarities between Bay Area office construction cost comparables and the subject improvements are limited. The developer's budget best considers the intricacies of the subject proposal. Bay Area cost comparables will be presented for comparison purposes, followed by the developer's budget.

Office Cost Comparables						
Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
San Francisco	360,000 - 369,999	\$310	NA	NA	-	General Office
Walnut Creek	5,000 - 9,999	\$440	\$153	35%	\$593	Mixed Use Retail/Office
Menlo Park	40,000 - 49,999	\$825	\$262	32%	\$1,087	Mixed Use Retail/Office/Residential
Sunnyvale	880,000 - 889,999	\$380	\$87	23%	\$467	General Office
San Jose	570,000 - 579,999	\$565	\$109	19%	\$674	General Office

In 2018, brokerage firm JLL reported direct costs for life sciences space can range from \$350 to \$1,325 per square foot, depending on the market and the percentage of lab or other specialized build out. In addition, compared to general office, life sciences space typically includes higher ceiling heights, additional duct work, significantly more HVAC and power capacity, and construction designed to reduce/minimize vibrations. This suggests a life sciences costs typically fall above the direct costs for the office comparables listed above, which range from \$310 to \$825 per square foot. The comparables indicate indirect costs range from 19% to 35% of direct costs.

The developer's budget was provided by Phases I and II. While the details of the budget are confidential, direct costs generally range from \$725 to \$825 per square foot. This falls toward the high end of the Bay Area office comparable range, but is squarely within the comparable range provided by JLL. Based on the comparable and market data previously available, and our review of the developer's budget, we have selected a market driven direct cost of **\$735** per square foot for the subject's Phase I space (which is nearly complete), and **\$810** per square foot for the subject's Phase II, III, and IV.

The developer's estimate of indirect costs as a percentage of direct costs also varies by Phase, with Phase I soft costs estimated at **25%** of direct costs and Phase II estimated at **30%** of direct costs. As construction costs continue to rise, and the developer's indirect costs both fall within the comparable range, we estimate indirect costs consistent with the developer's budget. It is our understanding the developer's budget also includes lease up costs, with TI allowances included in hard costs and leasing commissions included in soft costs. Therefore, these costs are not allocated separately in the upcoming analysis.

Accrued Depreciation

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

Developer's Incentive

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period, or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Approved entitlements;
- Phase I is 100% preleased to a tech tenant and life sciences tenant
- Life sciences market conditions are strong, with very little available supply. The COVID-19 pandemic increased demand for life sciences/lab space. Rental rates are continuing to increase.
- New life sciences improvements are almost always preleased prior to completion of construction. Many office buildings are being converted to life sciences use in response to pent up demand.
- The subject is located in a biotech and chemtech hub and is surrounded by notable life sciences users.

There are generally few "negative" attributes associated with the subject property, other than the potential for deterioration in market conditions in the life sciences sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.). In addition, construction costs have recently increasing. Based on the characteristics of the subject property, we estimate incentive at **10.0%** of costs for Phases II, III, and IV. Because Phase I is nearly complete, a lower incentive of **3.0%** is used for this Phase, as a buyer would only need to manage the completion of construction prior to the tenants occupying the entirety of the space in early 2022.

Conclusion

Our estimates of land value for the subject's Phases via the extraction analysis are presented below and on the following page.

Cost Analysis - Phase I				
Direct Costs ¹	546,601 SF	at	\$735 /SF	\$401,751,735
Indirect Costs		at	25% of directs	\$100,437,934
Total Direct & Indirect Costs				\$502,189,669
Less: Costs Spent to Date		at	97% of costs	\$487,123,979
Remaining Direct & Indirect Costs				\$15,065,690
Plus: Remaining Infrastructure Costs				\$3,049,708
Remaining Costs				\$18,115,398
Developer's Incentive		at	3% of costs	\$543,462
Total Remaining Costs				\$18,658,860
Rounded				\$18,700,000

1 Direct costs are divided over gross building area. Costs include parking structures and site work.

The Phase I analysis is unique from the other Phases because construction of the vertical improvements is nearly complete. The most likely buyer associated with Phase I would be a life sciences investor, looking to hold the property long term; whereas, the most likely buyer of the land use components associated with Phases II through IV is a developer familiar with the local and national market for life sciences development. Because the disposition period associated with Phase I is expected to be under 12 months, no further discounting is required.

In the above table, remaining direct and indirect costs are calculated by deducting an estimate of costs spent to date from total direct and indirect costs. Remaining infrastructure costs are also considered. Because the improvements are nearly complete, a lower incentive of 3.0% is utilized (versus 10.0% for future phases); this is because a buyer would need to only manage the completion of construction through the end of the year and prior to the occupancy of the tenants (pre-leased) in early 2022. The market value conclusion for Phase I is presented below.

Extraction Analysis - Phase I	
Market Value as if Stabilized	\$888,500,000
Less: Remaining Costs to Complete	<u>(\$18,700,000)</u>
Indicated PH I Value	\$869,800,000

The following pages include extraction analyses to value the land use components associated with Phases, II, III, and IV. Further discounting of these components will be required.

Cost Analysis - Phase II

Direct Costs ¹	776,982 SF	at	\$810 /SF	\$629,355,420
Indirect Costs		at	30% of directs	\$188,806,626
Total Direct & Indirect Costs				\$818,162,046
Developer's Incentive		at	10%	\$81,816,205
Total Projects Costs				\$899,978,251
Rounded				\$900,000,000

1 Direct costs are divided over gross building area. Costs include parking structures and site work.

Extraction Analysis - Phase II

Market Value as if Stabilized	\$1,220,000,000
Less: Construction & Lease Up Costs	<u>(\$900,000,000)</u>
Indicated Land Value	\$320,000,000

Cost Analysis - Phase III

Direct Costs ¹	427,883 SF	at	\$810 /SF	\$346,585,230
Indirect Costs		at	30% of directs	\$103,975,569
Total Direct & Indirect Costs				\$450,560,799
Developer's Incentive		at	10%	\$45,056,080
Total Projects Costs				\$495,616,879
Rounded				\$495,600,000

1 Direct costs are divided over gross building area. Costs include parking structures and site work.

Extraction Analysis - Phase III

Market Value as if Stabilized	\$705,200,000
Less: Construction & Lease Up Costs	<u>(\$495,600,000)</u>
Indicated Land Value	\$209,600,000

Cost Analysis - Phase IV

Direct Costs ¹	455,224 SF	at	\$810 /SF	\$368,731,440
Indirect Costs		at	30% of directs	\$110,619,432
Total Direct & Indirect Costs				\$479,350,872
Developer's Incentive		at	10%	\$47,935,087
Total Projects Costs				\$527,285,959
Rounded				\$527,300,000

1 Direct costs are divided over gross building area. Costs include parking structures and site work.

Extraction Analysis - Phase IV

Market Value as if Stabilized	\$705,200,000
Less: Construction & Lease Up Costs	<u>(\$527,300,000)</u>
Indicated Land Value	\$177,900,000

A summary of our land value conclusions is provided below.

Summary of Extraction Analyses

Phase	Land Residual	Rentable SF	Per Rentable SF
Phase I*	\$869,800,000	655,892	\$1,326.13
Phase II	\$320,000,000	865,000	\$369.94
Phase III	\$209,600,000	500,000	\$419.20
Phase IV	\$177,900,000	500,000	\$355.80
Total - Phases II - IV	\$707,500,000		

**Phase I improvements are nearly complete.*

The above table reflects the market value of the land use components in a state that is generally inconsistent with market transactions. There is little vacant land in the area, and market-wide life science land sales generally reflect improved land purchased for redevelopment. As such, our search for land sales did not return any transactions of life sciences land truly comparable in scope and scale to the subject.

Subdivision Development Method – Phases II-IV

In order to estimate the market value of Phases II, III, and IV, in bulk, a discounted cash flow analysis will be employed; the expected revenue, absorption period, expenses and discount rate associated with the sell-off of the holdings will be taken into account. A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

As a discounted cash flow analysis, the subdivision development method consists of four primary components summarized as follows:

Revenue – the gross income is based on the individual component values previously derived.

Absorption Analysis – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

Expenses – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special taxes.

Discount Rate – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

Revenue

The revenue component associated with the subject includes the concluded values for the various land use components derived in the previous analyses, which are summarized below.

Summary of Extraction Analyses			
Phase	Land Residual	Rentable SF	Per Rentable SF
Phase II	\$320,000,000	865,000	\$369.94
Phase III	\$209,600,000	500,000	\$419.20
Phase IV	\$177,900,000	500,000	\$355.80
Total - Phases II - IV	\$707,500,000		

Absorption

Absorption rates are best measured by looking at historic absorption rates for similar properties in the region. In developing an appropriate absorption period for the disposition of the parcels, we have considered historic absorption rates for similar properties and also attempted to consider the impacts of present market conditions, as well as the anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period.

A number of assumptions are made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the various land use components comprising the subject properties. It is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, or large land holding, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project.

At build out, the subject will include approximately 1,865,000 square feet of rentable area within Phases II through IV. The boundaries of the Special Tax District will also open space, and multiple parking garages; these components are excluded from the valuation because they are not subject to the Lien of the Special Tax. Backbone infrastructure for Phase II is expected to be complete in 2023, and Phases III and IV will be developed commensurate market demand and will likely be complete in 2025/26.

Expense Projections

Changes in Expenses (Expense Increases or Decreases)

Market participants widely expect expenses to increase either from inflation or labor increases. General and administrative and marketing and sale expenses are calculated in this section as a fixed percentage of revenue. Property tax expenses are trended upward, as will be discussed in a later section.

General and Administrative

General and administrative expenses would include management of project entitlements and Community Facility District financing, as well as coordination with others. This expense category typically ranges from 2.0% to 4.0%, depending on length of the project and if all of the categories are included in a builder's budget. Given the complexity of the proposed development and the holding period of the subject, we have estimated this expense at 3.0% of revenue, which is spread evenly over the sell-off period.

Marketing and Sale

The costs associated with marketing, commissions and closing costs relative to the disposition of the subjects' components are estimated at 3% of the total gross sale proceeds. Although this rate is somewhat negotiable, it is consistent with current industry trends. Larger transactions, such as the subject, typically have a lower sales commission as a percentage of sale price. For the sell-off of individual Phases to builders, marketing costs would be negligible, since master developers often contact builders directly and indicate lots are available, rather than openly list properties and have marketing costs.

Property Taxes (Ad Valorem and Special Taxes)

This appraisal is predicated on, and assumes, a sale of the appraised property in bulk. Interim ad valorem real estate taxes are based on a tax rate of 1.05790%. This rate is applied to the estimated market value (in bulk) and divided by the total acreage to yield an estimate of ad valorem taxes/acreage/year. The ad valorem taxes are appreciated by 2% per year and the total tax expense is gradually reduced over the absorption period, as the land components are sold off.

The appraised properties are within the boundary of the City of South San Francisco Community Facilities District No. 2021-1 (Public Facilities and Services). However, the subject's Special Taxes are only applicable to "developed property", which is defined in the Rate and Method of Apportionment as "all Assessor's Parcels of Taxable Property for which a Certificate of Occupancy was issued after January 1, 2021 an on or before May 1 of the Fiscal year preceding the Fiscal year for which the Special Taxes are being levied." As developed property requires a certificate of occupancy, and this analysis is concerned with the sell-off of the land components, the Special Tax will likely be levied after the sale of the land. Therefore, Special Taxes are not included in the subdivision development method.

Backbone Infrastructure

According to the master developer, total remaining infrastructure costs are presented below.

Backbone Infrastructure Costs			
	Budget	Incurred	Remaining
Phase I	\$47,112,589	\$44,062,881	\$3,049,708
Phases II - IV	\$21,801,872	\$0	\$21,801,872
Total Budget	\$68,914,461	\$44,062,881	\$24,851,580

Phases II - IV Pro-rata Allocation	Acreage	Pro-Rata Share	Allocation
Phase II	9.80	32.8%	\$7,145,764
Phase III	10.05	33.6%	\$7,328,054
Phase IV	10.05	33.6%	\$7,328,054
Total	29.90	100%	\$21,801,872

As discussed, Phase I infrastructure is nearly complete and has already been considered in the Phase I extraction analysis. This portion of the analysis is concerned with the costs associated with Phases II, III, and IV. The costs cited above will be disbursed during the development and sell-off period commensurate with the development timeline provided.

Internal Rate of Return

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances

in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey^[1], discount rates for land development projects ranged from 10.00% to 25.00%, with an average of 16.70% during the Second Quarter 2021, which is 110 basis points higher than the average reported in the Fourth Quarter 2020, the last time the survey was conducted and 150 basis points higher than a year ago. Without entitlements in place, certain investors will increase the discount rate of 188 basis points. These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place.

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

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

Excerpts from recent PwC surveys are copied below.

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

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

Amid the COVID-19 crisis, participants in the national development land market are looking to reduce leverage, lessen their holding costs, and preserve cash flow. "These are highly uncertain times, and we are moving in a direction no one thought we'd be headed a few months ago,"

[1] [PwC Real Estate Investor Survey](#), PricewaterhouseCoopers, 2nd Quarter 2021, Volume 34, Number 2.

shares a participant. Although some investors are looking to acquire distressed properties, it is difficult to ascertain pricing amid such uncertainty. For now, most investors are content to wait on the sidelines for a clearer path to emerge before they formulate new strategies for the rest of 2020 and beyond. (Second Quarter 2020)

While investors are more optimistic about development opportunities for the year ahead in the apartment, office, warehouse, and even retail sectors, they are less enthusiastic about the hotel sector, where the annual score drops from 3.21 to 2.94 (on a scale of 1 being abysmal and 5 being excellent). (Fourth Quarter 2019)

Over the next 12 months, surveyed investors hold mixed opinions regarding value trends for the national development land market. Their expectations range from -5.0% to +10.0% with an average expected value change of +3.2%. This average is slightly below where it was six months ago (+3.8%), but ahead of the rate from a year ago (+1.2%). (Second Quarter 2019)

Project Yield Rate Survey	
Data Source	Yield / IRR Expectations (Inclusive of Profit)
PwC Real Estate Investor Survey - Second Quarter 2021 (updated semi-annually)	Range of 10.0% to 25.0%, with an average of 16.7%, on an unleveraged basis, for land development (national average)
National Builder	20% to 25% for entitled lots
Regional Builder	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
National Builder	18% minimum, 20% target
Developer	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Developer	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
Land Management Company	20% to 30% IRR for land development deals on an unleveraged basis
Land Developer	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Land Developer	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled land
Real Estate Consulting Firm	Low 20% range yield rate required to attract capital to longer-term land holdings
Land Developer	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Regional Builder	10% discount rate excluding profit for single-family subdivisions
National Builder	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Regional Builder	15% to 20% IRR
Regional Builder	No less than 20% IRR for land development, either entitled or unentitled
Land Developer	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Regional Builder	No less than 30% when typical entitlement risk exists

We recently conducted a survey of market participants familiar with land development in both urban and suburban locations through California. Over the past two years, the Port of San Francisco has solicited proposals for future public/private partnerships for Piers 30-32 and SWL 330; the proposals were submitted to the Port in 2020, during the COVID-19 pandemic. Three respondents, including Strada TCC Partners, LLC, a joint venture between Strada Investment Group and Trammell Crow Company, Tishman Speyer, and Vornado Realty each provided proposals with internal rates of return ranging from below 10% to 23%, and with income projections associated with future land uses based on pre-pandemic market rents. While these proposals are for properties located in San Francisco and include both commercial and residential land uses, they provide examples of internal rate of return forecasts by sophisticated developers with large redevelopment project experience.

There are several positive attributes associated with the subject property that we consider in our selection of a discount rate. Positive attributes of the subject property include:

- Approved entitlements;
- Phase I is 100% preleased to a tech tenant and life sciences tenant.
- Life sciences market conditions are strong, with very little available supply. The COVID-19 pandemic increased demand for life sciences/lab space. Rental rates are continuing to increase.
- New life sciences improvements are almost always preleased prior to completion of construction. Many office buildings are being converted to life sciences use in response to pent up demand.
- The subject is located in a biotech and chem-tech hub and is surrounded by notable life sciences users.

Considering these factors, the anticipated sell-off period of the subject project, and the positive and negative characteristics previously described, a discount rate of **14%** is estimated for the subject property.

Conclusion

The subdivision development method is presented on the following page.

Subdivision Development Method - Phases II - IV							
Inputs							
Revenue & Expenses				Ad Valorem Tax Table			
Taxable Land Acreage - PH II - IV	29.90			Annual Increase in Property Taxes	2.0%		
Total Land Revenue	\$577,600,000			First Year Annual Taxes/Acre	\$134,157		
Total Revenue per Acre	\$19,317,726						
Phase II				Max Special Assessments - City of South San Francisco CFD No. 2021-1			
Phase II Land Acreage	9.80			Special Tax A - Developed Property			
Phase II Revenue	\$320,000,000			CFD No. 2021-01	\$2.00	per SF	
Phase III				Special Tax B - Developed Property			
Phase III Land Acreage	10.05			CFD No. 2021-01	\$0.35	per SF	
Phase III Revenue	\$209,600,000						
Phase IV							
Phase IV Land Acreage	10.05						
Phase IV Revenue	\$177,900,000						
Annual Revenue Appreciation	1.00%						
General & Administrative	3.0%						
Marketing & Commissions	3.0%						
Infrastructure Costs - PH II - IV	\$21,801,872						
Phase II	\$7,145,764						
Phase III	\$7,328,054						
Phase IV	\$7,328,054						
Revenue, Expenses and Valuation							
Revenue	Period (1 year)	2022	2023	2024	2025	2026	Total
		1	2	3	4	5	
Sales (Acreage):							
Phase II		0.00	0.00	9.80	0.00	0.00	9.80
Phase III		0.00	0.00	0.00	10.05	0.00	10.05
Phase IV		0.00	0.00	0.00	0.00	10.05	10.05
Total Sales		0.00	0.00	9.80	10.05	10.05	29.90
End of Period Inventory		29.90	29.90	20.10	10.05	0.00	
Total Period Inventory (acres)		29.90	29.90	29.90	20.10	10.05	
Land Sales Revenue Unappreciated							
Phase II		\$0	\$0	\$320,000,000	\$0	\$0	\$320,000,000
Phase III		\$0	\$0	\$0	\$209,600,000	\$0	\$209,600,000
Phase IV		\$0	\$0	\$0	\$0	\$177,900,000	\$177,900,000
Total Revenue		\$0	\$0	\$320,000,000	\$209,600,000	\$177,900,000	\$707,500,000
Revenue Appreciated		\$0	\$0	\$320,000,000	\$209,600,000	\$177,900,000	\$707,500,000
Total Revenue		\$0	\$0	\$320,000,000	\$209,600,000	\$177,900,000	\$707,500,000
Expenses	All Categories						
General & Administrative		(\$4,245,000)	(\$4,245,000)	(\$4,245,000)	(\$4,245,000)	(\$4,245,000)	(\$21,225,000)
Marketing/Commissions		\$0	\$0	(\$9,600,000)	(\$6,288,000)	(\$5,337,000)	(\$21,225,000)
Backbone Infrastructure							
Phase II		(\$3,572,882)	(\$3,572,882)	\$0	\$0	\$0	(\$7,145,764)
Phase III		\$0	\$0	(\$3,664,027)	(\$3,664,027)	\$0	(\$7,328,054)
Phase IV		\$0	\$0	\$0	(\$3,664,027)	(\$3,664,027)	(\$7,328,054)
Total Infrastructure		(\$3,572,882)	(\$3,572,882)	(\$3,664,027)	(\$7,328,054)	(\$3,664,027)	(\$21,801,872)
Ad Valorem Taxes		(\$4,011,309)	(\$4,091,535)	(\$4,173,365)	(\$2,861,617)	(\$1,459,425)	(\$16,597,250)
City of SSF CFD No. 2021-01		\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses		(\$11,829,191)	(\$11,909,417)	(\$21,682,392)	(\$20,722,671)	(\$14,705,451)	(\$80,849,122)
Net Income		(\$11,829,191)	(\$11,909,417)	\$298,317,608	\$188,877,329	\$163,194,549	\$626,650,878
Internal Rate of Return	14.00%	0.87719	0.76947	0.67497	0.59208	0.51937	
Discounted Cash Flow		(\$10,376,483)	(\$9,163,910)	\$201,355,888	\$111,830,542	\$84,758,135	\$378,404,172
Net Present Value							\$378,404,172
Conclusion of Market Value, in Bulk (Rd.)							\$378,400,000

Conclusion of Value

The following table summarizes the value conclusions for Phase I and Phases II, III, and IV. As noted, the most probable buyer for Phase I is different for than the most probable buyer for the remaining Phases (an investor versus a land developer).

Summary of Value Conclusions

Phase I	\$869,800,000
Phases II, III, & IV	\$378,400,000
Total Indicated Value	\$1,248,200,000

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of market value of the appraised properties, subject to the hypothetical condition cited herein, is as follows:

Value Conclusion

Value Type & Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value, Subject to a Hypothetical Condition	Fee Simple	November 2, 2021	\$1,248,200,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. We have been requested to provide an opinion of market value of the subject property as of November 2, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for public improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local development site market, it is our opinion that the probable exposure time is 12 months.

Marketing Period

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. We estimate the subject's marketing period at 12 months.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Kevin Ziegenmeyer, MAI, made a personal inspection of the property that is the subject of this report. Laura Diaz has also personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Kevin Ziegenmeyer, MAI, has the continuing education program for Designated Members of the Appraisal Institute.


15. As of the date of this report, Laura Diaz, has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



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



Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037



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

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. IRR - San Francisco, Integra Realty Resources, Inc., and their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. **IRR - San Francisco is an independently owned and operated company. The parties hereto agree that Integra shall not be liable for any claim arising out of or relating to any appraisal report or any information or opinions contained therein as such appraisal report is the sole and exclusive responsibility of IRR - San Francisco. In addition, it is expressly agreed that in**

any action which may be brought against the Integra Parties arising out of, relating to, or in any way pertaining to the engagement letter, the appraisal reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the appraisal was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. IRR - San Francisco is an independently owned and operated company, which has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. We have been requested to provide an opinion of market value of the subject property as of November 2, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for public improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Addendum A
Appraiser Qualifications



Kevin Ziegenmeyer, MAI

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the state of California, and Northern Nevada. Mr. Ziegenmeyer handles many of the firm's master-planned property appraisals and over the past two decades has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In fact, Mr. Ziegenmeyer was one of five appraisers to collaborate with other professionals in developing the appraisal guidelines for the California Debt and Investment Advisory Commission (Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing - 2004). He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities and counties of San Francisco, Dublin, Monterey, Newport Beach, Alameda, Napa and San Mateo. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2023

Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

Integra Realty Resources - Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com



Kevin Ziegenmeyer, MAI

Education (Cont'd)

General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

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Suite 1
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F 916-435-4774

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

Kevin K. Ziegenmeyer

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2021

Date Expires: June 4, 2023

Loretta Dillon, Deputy Bureau Chief, BREA

3057527

Laura Diaz

Experience

Ms. Diaz is a Certified General real estate appraiser. She began her career in real estate as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. Since graduating in 2013, Ms. Diaz has been writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, hotels, and data centers. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office.

Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2022

Education

Academic:

Bachelor of Arts in English, University of Louisville

Master of Urban Planning, University of Louisville

Graduate Certificate in Real Estate Development, University of Louisville

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Basic Appraisal Principles

Basic Appraisal Procedures

Real Estate Finance Statistics and Valuation Modeling

Site Valuation and Cost Approach

General Market Analysis and Highest and Best Use

Sales Comparison Approach

Income Capitalization Approach Part I

Income Capitalization Approach Part II

General Appraiser Report Writing and Case Studies

Expert Witness for Commercial Appraisers

Basic Hotel Appraising – Limited Service Hotels

Integra Realty Resources
San Francisco

555 Meridian Avenue
Suite C
San Jose, CA 95126

T 415-715-4690
F

irr.com

ldiaz@irr.com - 415-715-4690





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REAL ESTATE APPRAISER LICENSE

Laura B. Diaz

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: 3005037

Effective Date: January 3, 2022

Date Expires: January 2, 2024

Loretta Dillon, Deputy Bureau Chief, BREA

3061654

Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office as well as Integra-Sacramento office.

Professional Activities & Affiliations

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

Licenses

California, Certified General, AG026558, Expires February 2023
Nevada, Certified General, A.0207666-CG, Expires January 2023
Arizona, Certified General, CGA - 1006422, Expires January 2024
Washington, Certified General, 20100611, Expires June 2023

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Self-Storage Economics and Appraisal Seminar
Appraisal Litigation Practice and Courtroom Management
Hotel Valuations: New Techniques for today's Uncertain Times
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications
Supervisor-Trainee Course for California

esegal@irr.com - 916.435.3883 x228

Integra Realty Resources - Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916.435.3883
F 916.435.4774

irr.com





Business, Consumer Services & Housing Agency
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REAL ESTATE APPRAISER LICENSE

Eric A. Segal

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2021

Date Expires: February 18, 2023

Loretta Dillon, Deputy Bureau Chief, BREA

3055248

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com



Addendum B

Financials and Property Information





Fidelity National Title Company

100 Pine Street, Suite 2460, San Francisco, CA 94111
Phone: (415) 276-0220 • Fax:

Issuing Policies of Fidelity National Title Insurance Company

Title Officer: Kevin Davis
Escrow Officer: Major Accounts OAC

Order No.: 991-30065165-KD9

TO:

Wilsey Ham
3130 La Selva Street, Suite 100
San Mateo, CA 94403

ATTN: **Eric Cohen**
YOUR REFERENCE: **Oyster Point-91**

PROPERTY ADDRESS: 377, 385 and 389 Oyster Point Boulevard, South San Francisco, CA

PRELIMINARY REPORT

*In response to the application for a policy of title insurance referenced herein, **Fidelity National Title Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Fidelity National Title Insurance Company, a Florida Corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Countersigned by:

Authorized Signature



Fidelity National Title Company

100 Pine Street, Suite 2460, San Francisco, CA 94111
Phone: (415) 276-0220 • Fax:

PRELIMINARY REPORT

EFFECTIVE DATE: March 11, 2021 at 7:30 a.m.

ORDER NO.: 991-30065165-KD9

The form of policy or policies of title insurance contemplated by this report is:

ALTA Standard Owners Policy (6-17-06)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

Fee Estate

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS [VESTED IN:](#)

KR Oyster Point III, LLC, a Delaware limited liability company

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

See Exhibit A attached hereto and made a part hereof.

EXHIBIT A LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SOUTH SAN FRANCISCO IN THE COUNTY OF SAN MATEO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

ALL THAT REAL PROPERTY IN THE CITY OF SOUTH SAN FRANCISCO, COUNTY OF SAN MATEO, STATE OF CALIFORNIA, BEING A PORTION OF THE LANDS AS DESCRIBED IN [DOCUMENT NUMBER 2016-082620, OFFICIAL RECORDS](#) OF SAN MATEO COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS;

COMMENCING AT THE SECTION CORNER COMMON TO SECTIONS 15, 14, 22, & 23 AS SHOWN ON THAT CERTAIN PARCEL MAP TITLED "OYSTER POINT BUSINESS PARK" RECORDED IN [VOL 52 OF PARCEL MAPS AT PAGE 59](#), OFFICIAL RECORDS OF SAN MATEO COUNTY; THENCE FROM SAID SECTION CORNER N 89° 59' 05" E ALONG THE NORTHERLY LINE OF PARCEL 1 AS SHOWN ON SAID MAP, A DISTANCE OF 260.00 FEET TO AN ANGLE POINT ON THE WESTERLY LINE OF PARCEL B AS DESCRIBED ON THAT CERTAIN LOT LINE ADJUSTMENT RECORDED AS [DOCUMENT NUMBER 92141612, OFFICIAL RECORDS](#) OF SAN MATEO COUNTY; THENCE ALONG THE WESTERLY LINE OF SAID PARCEL B N 00° 00' 55" W A DISTANCE OF 123.88 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION:

THENCE FROM SAID POINT OF BEGINNING LEAVING SAID WESTERLY LINE; N 89° 59' 05" E A DISTANCE OF 66.62 FEET TO THE BEGINNING OF A TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 40° 28' 59", HAVING A RADIUS OF 30.00 FEET A DISTANCE OF 21.20 FEET TO THE BEGINNING OF A REVERSE CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 44° 53' 11", HAVING A RADIUS OF 30.00 FEET A DISTANCE OF 23.50 FEET;

THENCE S 85° 36' 43.0" E A DISTANCE OF 32.50 FEET;

THENCE S 77° 44' 32" E A DISTANCE OF 11.08 FEET TO THE BEGINNING OF A TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 40° 27' 50", HAVING A RADIUS OF 40.00 FEET A DISTANCE OF 28.25 FEET TO THE BEGINNING OF A REVERSE CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 18° 03' 33", HAVING A RADIUS OF 52.00 FEET A DISTANCE OF 16.39 FEET TO THE BEGINNING OF A TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 17° 09' 52", HAVING A RADIUS OF 40.00 FEET A DISTANCE OF 11.98 FEET;

THENCE N 62° 41' 20" E A DISTANCE OF 18.28 FEET TO THE BEGINNING OF A TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 48° 44' 36", HAVING A RADIUS OF 10.00 FEET, A DISTANCE OF 8.51 FEET TO THE BEGINNING OF A REVERSE CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 126° 33' 21", HAVING A RADIUS OF 18.00 FEET, A DISTANCE OF 39.76 FEET TO THE BEGINNING OF A REVERSE CURVE;

THENCE ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 48° 51' 12", HAVING A RADIUS OF 10.00 FEET, A DISTANCE OF 8.53 FEET;

THENCE S 88° 21' 08" E A DISTANCE OF 44.42 FEET TO THE BEGINNING OF A NON-TANGENT CURVE;

EXHIBIT A
(Continued)

THENCE ALONG SAID CURVE TO THE LEFT WHOSE RADIUS POINT BEARS N 08° 02' 23" W THROUGH A CENTRAL ANGLE OF 24° 17' 21", HAVING A RADIUS OF 176.33 FEET, A DISTANCE OF 74.75 FEET;

THENCE N 16° 48' 02" E A DISTANCE OF 54.90 FEET;

THENCE N 13° 58' 47" E A DISTANCE OF 28.56 FEET;

THENCE N 16° 06' 38" E A DISTANCE OF 36.60 FEET;

THENCE N 03° 37' 19" E A DISTANCE OF 55.79 FEET;

THENCE N 01° 38' 46" W A DISTANCE OF 68.96 FEET TO THE BEGINNING OF A NON-TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT WHOSE RADIUS POINT BEARS N 08° 30' 16" E THROUGH A CENTRAL ANGLE OF 143° 57' 53", HAVING A RADIUS OF 6.50 FEET, A DISTANCE OF 16.33 FEET;

THENCE NON-TANGENT TO SAID CURVE N 09° 20' 30" W A DISTANCE OF 18.28 FEET;

THENCE N 07° 35' 49" W A DISTANCE OF 25.94 FEET;

THENCE N 06° 19' 36" W A DISTANCE OF 28.59 FEET;

THENCE N 05° 04' 01" W A DISTANCE OF 76.77 FEET TO THE BEGINNING OF A NON-TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT WHOSE RADIUS POINT BEARS S 82° 53' 01" E THROUGH A CENTRAL ANGLE OF 25° 45' 49", HAVING A RADIUS OF 380.06 FEET, A DISTANCE OF 170.90 FEET TO THE BEGINNING OF A NON-TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT WHOSE RADIUS POINT BEARS S 44° 56' 11" E THROUGH A CENTRAL ANGLE OF 21° 53' 56", HAVING A RADIUS OF 30.00 FEET, A DISTANCE OF 11.47 FEET TO THE BEGINNING OF A NON-TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE LEFT WHOSE RADIUS POINT BEARS N 23° 11' 48" W THROUGH A CENTRAL ANGLE OF 53° 11' 40", HAVING A RADIUS OF 67.79 FEET, A DISTANCE OF 62.94 FEET TO THE BEGINNING OF A NON-TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT WHOSE RADIUS POINT BEARS S 74° 52' 24" E THROUGH A CENTRAL ANGLE OF 17° 17' 38", HAVING A RADIUS OF 87.32 FEET, A DISTANCE OF 26.36 FEET;

THENCE NON-TANGENT TO SAID CURVE N 38° 02' 09" E A DISTANCE OF 49.24 FEET TO THE BEGINNING OF A NON-TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE LEFT WHOSE RADIUS POINT BEARS N 50° 27' 28" W THROUGH A CENTRAL ANGLE OF 80° 53' 32", HAVING A RADIUS OF 14.00 FEET, A DISTANCE OF 19.77 FEET;

THENCE N 41° 20' 59" W A DISTANCE OF 52.69 FEET;

THENCE N 42° 33' 46" W A DISTANCE OF 23.84 FEET;

THENCE N 46° 49' 36" W A DISTANCE OF 28.16 FEET;

THENCE N 43° 03' 14" W A DISTANCE OF 17.21 FEET;

THENCE N 51° 21' 09" W A DISTANCE OF 16.15 FEET;

EXHIBIT A
(Continued)

THENCE N 40° 56' 18" W A DISTANCE OF 100.84 FEET;

THENCE N 43° 55' 08" W A DISTANCE OF 66.91 FEET;

THENCE N 40° 34' 17" W A DISTANCE OF 28.09 FEET TO THE BEGINNING OF A TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 116° 33' 28", HAVING A RADIUS OF 16.00 FEET, A DISTANCE OF 32.55 FEET TO THE BEGINNING OF A TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 20° 23' 50", HAVING A RADIUS OF 218.00 FEET, A DISTANCE OF 77.61 FEET;

THENCE NON-TANGENT TO SAID CURVE N 72° 25' 37" E A DISTANCE OF 276.02 FEET;

THENCE N 00° 00' 55" W A DISTANCE OF 51.63 FEET;

THENCE N 89° 59' 05" E A DISTANCE OF 88.82 FEET;

THENCE S 26° 41' 01" E A DISTANCE OF 633.96 FEET TO THE BEGINNING OF A NON-TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE LEFT WHOSE RADIUS POINT BEARS S 26° 41' 01" E THROUGH A CENTRAL ANGLE OF 42° 56' 01", HAVING A RADIUS OF 62.00 FEET, A DISTANCE OF 46.46 FEET TO THE BEGINNING OF A REVERSE CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 42° 56' 01", HAVING A RADIUS OF 50.00 FEET, A DISTANCE OF 37.47 FEET;

THENCE S 63° 18' 59" W A DISTANCE OF 81.73 FEET TO THE BEGINNING OF A TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 63° 19' 54", HAVING A RADIUS OF 275.00 FEET, A DISTANCE OF 303.97 FEET;

THENCE S 00° 00' 55" E A DISTANCE OF 410.00 FEET;

THENCE S 89° 59' 05" W A DISTANCE OF 50.42 FEET;

THENCE S 00° 00' 55" E A DISTANCE OF 278.18 FEET TO THE BEGINNING OF A NON-TANGENT CURVE,

THENCE ALONG SAID CURVE TO THE RIGHT WHOSE RADIUS POINT BEARS S 41° 58' 57" E THROUGH A CENTRAL ANGLE OF 26° 37' 38", HAVING A RADIUS OF 205.00 FEET, A DISTANCE OF 95.27 FEET;

THENCE NON-TANGENT TO SAID CURVE S 46° 03' 05" W FOR A DISTANCE OF 208.12 FEET;

THENCE S 34° 49' 05" W A DISTANCE OF 89.36 FEET;

THENCE N 54° 47' 39" W A DISTANCE OF 8.46 FEET;

THENCE S 41° 38' 09" W A DISTANCE OF 122.56 FEET TO THE BEGINNING OF A NON-TANGENT CURVE;

THENCE ALONG SAID CURVE TO THE RIGHT WHOSE RADIUS POINT BEARS N 48° 21' 49" W THROUGH A CENTRAL ANGLE OF 25° 59' 03", HAVING A RADIUS OF 395.67 FEET, A DISTANCE OF 179.44 FEET;
THENCE NON-TANGENT TO SAID CURVE N 63° 09' 48" W A DISTANCE OF 13.12 FEET;

EXHIBIT A
(Continued)

THENCE S 72° 13' 32" W A DISTANCE OF 40.37 FEET;
THENCE N 00° 02' 28" W A DISTANCE OF 489.65 FEET;
THENCE S 64° 44' 05" W A DISTANCE OF 214.80 FEET;
THENCE N 81° 45' 55" W A DISTANCE OF 389.76 FEET;
THENCE N 00° 00' 55" W A DISTANCE OF 192.73 FEET;
THENCE N 89° 59' 05" E A DISTANCE OF 280.00 FEET;
THENCE N 00° 00' 55" W A DISTANCE OF 123.88 FEET TO THE POINT OF BEGINNING.

BEING ADJUSTED PARCEL A, AS DESCRIBED IN THAT CERTAIN CERTIFICATE OF LOT LINE ADJUSTMENT RECORDED SEPTEMBER 26, 2017, AS [INSTRUMENT NO. 2017-084368, OF OFFICIAL RECORDS](#).

[APN: 015-010-910](#)

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2021-2022.
2. Prior to close of escrow, please contact the Tax Collector's Office to confirm all amounts owing, including current fiscal year taxes, supplemental taxes, escaped assessments and any delinquencies.
3. Any liens or other assessments, bonds, or special district liens including without limitation, Community Facility Districts, that arise by reason of any local, City, Municipal or County Project or Special District.
4. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring on or after the Date of Policy.
5. Water rights, claims or title to water, whether or not disclosed by the public records.
6. Any rights and easements for commerce, navigation and fishery based upon the assertion that some portion of said land is tide or submerged land that is not filled in accordance with the California Supreme Court decision, entered February 22, 1980, (26 Cal 3rd 515), Santa Fe Land Improvement Co., et al., vs. City of Berkeley, or presently lies beneath the waters of San Francisco Bay.
7. Any easements or lessor rights of the Public, City, County and/or Public Utilities for roadway, pedestrian and vehicular ingress and egress and/or utilities as to those portions of the Land lying within the areas commonly known as Oyster Point Boulevard.

**EXCEPTIONS
(Continued)**

8. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Pacific Gas and Electric Company, a California corporation
Purpose: Electrical transmission lines and gas conveyances facilities and all appurtenances thereto
Recording Date: March 6, 1912
Recording No: [Book 206 of Deeds, Page 487](#)
Affects: The exact location and extent of said easement is not defined of record

A portion of said easement has been quitclaimed by instrument recorded February 23, 1926, in [Book 197, Page 467](#), of Official Records.

9. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Pacific Gas and Electric Company and The Pacific Telephone and Telegraph Company
Purpose: Electrical and communication facilities and all appurtenances thereto
Recording Date: November 12, 1946
Recording No: [Book 1317, Page 78](#) of Official Records
Affects: Portion of said land

10. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Pacific Gas and Electric Company, a California corporation
Purpose: Erection, maintenance and use of poles and wires and all appurtenances thereto
Recording Date: February 14, 1951
Recording No: [Book 2023, Page 83](#), of Official Records
Affects: Portion of said land

11. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Pacific Gas and Electric Company, a California corporation
Purpose: Pole lines and all appurtenances thereto
Recording Date: February 14, 1961
Recording No: [Book 2023, Page 91](#), of Official Records
Affects: Portion of said land

12. Covenants and Agreement, and Easements, but excluding any rights of repurchase as mentioned therein, dated October 28, 1974, executed by Cabot, Cabot & Forbes California Properties, Inc., a Delaware corporation, and between R.W.L. Investments, Inc., a California corporation recorded October 31, 1974, [Book 6728, Page 241](#), Instrument No. 96718AH, Official Records.

Terms, covenants and conditions contained in the certain instrument referred to above, reserving easements to Cabot, Cabot & Forbes California Properties, Inc., a Delaware Corporation:

Purpose: Storm drain easement
Affects: 10 foot strip over a portion of Parcel One, lying within Parcel 4, as shown on Parcel Map, filed January 15, 1974, in [Book 23 of Parcel Maps, at Page 27](#)

Purpose: Anchor easement
Affects: 5 feet over a portion of Parcel One, lying within Parcel 4, as shown on Parcel Map filed January 15, 1974, in [Book 23 of Parcel Maps, at Page 27](#)

Purpose: Slope easement
Affects: Portion of Parcel 1, lying within Parcel 4, as shown on Parcel Map filed January 15, 1974, in [Book 23 of Parcel Maps, at Page 27](#), Official Records of San Mateo County

**EXCEPTIONS
(Continued)**

13. An easement for Ship Channel (250 feet wide), as established by the San Francisco Harbor Line Board, on December 4, 1936, as shown on Parcel Map, filed April 12, 1982, in [Book 52 of Parcel Maps, at Page 58](#).
14. BCDC Jurisdiction as shown on the map entitled, "Parcel Map Oyster Point Business Park", filed April 12, 1982, in [Book 52 of Parcel Maps at Pages 58 and 59](#), Official Records, San Mateo County.

(Affects a strip of land 100 feet wide running southerly and westerly through subject lands, as shown on the Parcel Map, filed January 15, 1974, in [Book 23 of Parcel Maps, Page 27](#))

As and to the extent relocated as disclosed of record by Resolution No. 2314 of the South San Francisco Planning Commission supporting the relocation of the BCDC Park Priority Area from the South to the West side of the Oyster Point Business Park, adopted by the Planning Commission of the City of South San Francisco, on July 22, 1982, recorded July 10, 1987, [Instrument No. 87108115, Official Records](#).

15. Terms, conditions and provisions in Permit No. 4-82, dated June 21, 1982, issued by the San Francisco Bay Conservation and Development Commission to Richard Diodati, recorded September 14, 1982, [Series No. 82078523](#), San Mateo County Records.

As amended by amendment to Permit Number 4-82(B) and terms and conditions contained therein, dated January 25, 1989, recorded February 8, 1989, [Instrument No. 89017808, Official Records](#).

Together with an agreement imposing restrictions and easements of the use of real property, dated July 22, 1987, executed by Rich Diodati and between San Francisco Bay Conservation and Development Commission, recorded July 22, 1987, [Instrument No. 87114139, Official Records](#).

As amended by amendment to agreement imposing restrictions of the use of real property, dated January 19, 1990, executed by Martha Diodati and Richard Diodati, and between the San Francisco Bay Conservation and Development Commission, recorded January 26, 1990, [Instrument No. 90012360, Official Records](#).

As amended by agreement amending Permit No. 4-82 (B) recorded October 16, 1992, [Instrument No. 92169322, Official Records](#).

Amendment recorded January 8, 2003, [Instrument No. 2003-5277, Official Records](#).

Amendment recorded January 8, 2003, [Instrument No. 2003-5278, Official Records](#).

Amendment recorded July 24, 2003, [Instrument No. 2003-205194, Official Records](#).

16. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to:	City of South San Francisco, a municipal corporation of the State of California
Purpose:	Ingress and egress and replacing sanitary sewers
Recorded:	November 16, 1982, Instrument No. 82099998, of Official Records
Affects:	A portion of said land

**EXCEPTIONS
(Continued)**

17. An Easement for benefit of Pacific Gas and Electric Company as reserved in the Resolution vacating portion of Oyster Point Boulevard dated February 2, 1983, executed by the City and County of South San Francisco recorded March 10, 1983, as [Instrument No. 83022834, of Official Records](#).

18. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: Pacific Telephone and Telegraph Company
Purpose: To construct and maintain (place, operate, inspect, repair, replace and remove) such underground communication facilities, as grantee may from time to time require (including ingress thereto and egress therefrom) consisting of wires, cables, conduits, manholes, handholes and aboveground markers, pedestals, terminal equipment cabinets, other associated electrical conductors and necessary fixtures and appurtenances
Recorded: September 15, 1983, [Instrument No. 83099596, of Official Records](#)
Affects: The easterly (5) feet of the southerly 480 feet of the northerly 633.96 feet

19. Terms and conditions of Permit 8-74 disclosed by information received by this company, affects that portion,s lying within Parcel 4, as shown on Parcel Map, filed January 15, 1974, in [Book 23 of Parcel Maps at Page 27](#).

Together with an Agreement for Imposing Restriction on Use of Real Property

Dated: February 25, 1986
Executed By: R.W.L. Investments, Inc., a California corporation
And Between: San Francisco Bay Conservation and Development Commission

Upon the terms, provisions, covenants and conditions contained therein,

Recorded: March 10, 1986, [Instrument No. 86025166, Official Records](#)

Including the terms and conditions contained in the agreement last above mentioned providing for easements, for public access, for fishing, walking, picnicking, sitting and other related purposes over portions of premises.

20. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: TC Northern California, Inc., a Delaware corporation
Purpose: Storm drainage purposes
Recorded: August 1, 1997, [Instrument No. 97-093545, of Official Records](#)
Affects: Parcel One-A, as shown on the Parcel Map, filed January 15, 1974, in [Book 23 of Parcel Maps, Page 27](#)

**EXCEPTIONS
(Continued)**

21. Matters contained in that certain document

Entitled: Development Agreement by and between City of South Francisco and Oyster Point Ventures, LLC
Dated: March 23, 2011
Executed by: City of South San Francisco and Oyster Point Ventures, LLC
Recording Date: March 24, 2011
Recording No.: [2011-034324, of Official Records](#)

Reference is hereby made to said document for full particulars.

An Assignment and Assumption dated August 17, 2016, recorded August 18, 2016, as [Instrument No. 2016-082622, of Official Records](#).

A Consent, Assignment and Assumption of Development Agreement dated June 1, 2018, recorded June 5, 2018, as [Instrument No. 2018-043311, of Official Records](#).

22. Any rights, interests, or claims which may exist or arise by reason of the following matters disclosed by surveys,
Job No.: 1025-002
Dated: May 18, 2018
Prepared by: Wilsey Ham Engineering, Surveying & Planning
Matters shown: As follows:

a) The "shoreline meander" circa February 22, 1980 ("Berkeley date") is plotted hereon per Wilsey Ham record of survey, San Mateo records [Volume 42 Page 44](#).

23. The search did not disclose any open mortgages or deeds of trust of record, therefore the Company reserves the right to require further evidence to confirm that the property is unencumbered, and further reserves the right to make additional requirements or add additional items or exceptions upon receipt of the requested evidence.

24. Any lien or right to a lien for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.

25. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

26. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.

**EXCEPTIONS
(Continued)**

27. Information in the possession of the Company indicates that a division of land has occurred or is contemplated in the current transaction involving the Land described in this report. Such contemplated division of land appears to fall within the guidelines necessitating approval by the City, County or other applicable government agency. As a prerequisite to the issuance of any title insurance under this application, at least one of the following requirements must be accomplished to the Company's satisfaction:

A Final Map has been recorded in compliance with City of South San Francisco related ordinances/requirements.

Evidence of compliance or waiver from the City of South San Francisco.

Other evidence, satisfactory to the Company, indicating compliance or non-violation must be furnished.

The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

28. The Company will require the following documents for review prior to the issuance of any title insurance predicated upon a conveyance or encumbrance from the entity named below:

Limited Liability Company: KR Oyster Point III, LLC, a Delaware limited liability company

- a) A copy of its operating agreement, if any, and all amendments, supplements and/or modifications thereto, certified by the appropriate manager or member.
 - b) If a domestic Limited Liability Company, a copy of its Articles of Organization and all amendments thereto with the appropriate filing stamps.
 - c) If the Limited Liability Company is member-managed, a full and complete current list of members certified by the appropriate manager or member.
 - d) A current dated certificate of good standing from the proper governmental authority of the state in which the entity is currently domiciled.
 - e) If less than all members, or managers, as appropriate, will be executing the closing documents, furnish evidence of the authority of those signing.
 - f) If Limited Liability Company is a Single Member Entity, a Statement of Information for the Single Member will be required.
 - g) Each member and manager of the LLC without an Operating Agreement must execute in the presence of a notary public the Certificate of California LLC (Without an Operating Agreement) Status and Authority form.
29. The Company will require that an Owner's Affidavit be completed by the party(s) named below before the issuance of any policy of title insurance.

Party(s): KR Oyster Point III, LLC, a Delaware limited liability company

The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit.

**EXCEPTIONS
(Continued)**

30. This transaction requires high liability approval prior to close of escrow together with an inspection of the subject property.
- Please advise title department with an estimated date that your transaction will close so we can schedule the necessary approvals and inspections.
31. Prior to the close of escrow and the issuance of an ALTA Coverage Policy, an inspection of the property will be required.
32. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

PLEASE REFER TO THE "INFORMATIONAL NOTES" AND "REQUIREMENTS" SECTIONS WHICH FOLLOW FOR INFORMATION NECESSARY TO COMPLETE THIS TRANSACTION.

END OF EXCEPTIONS

REQUIREMENTS SECTION

NONE

END OF REQUIREMENTS

INFORMATIONAL NOTES SECTION

1. Note: The Company is not aware of any matters which would cause it to decline to attach CLTA Endorsement Form 116 indicating that there is located on said Land a commercial building(s), known as 377, 385 and 389 Oyster Point Boulevard, South San Francisco, CA, to an Extended Coverage Loan Policy.
2. Note: There are NO conveyances affecting said Land recorded within 24 months of the date of this report.
3. Note: The charge for a policy of title insurance, when issued through this application for title insurance, will be based on the Short Term Rate.
4. Note: If a county recorder, title insurance company, escrow company, real estate broker, real estate agent or association provides a copy of a declaration, governing document or deed to any person, California law requires that the document provided shall include a statement regarding any unlawful restrictions. Said statement is to be in at least 14-point bold face type and may be stamped on the first page of any document provided or included as a cover page attached to the requested document. Should a party to this transaction request a copy of any document reported herein that fits this category, the statement is to be included in the manner described.
5. Note: Any documents being executed in conjunction with this transaction must be signed in the presence of an authorized Company employee, an authorized employee of a Company agent, an authorized employee of the insured lender, or by using Bancserv or other Company-approved third-party service. If the above requirement cannot be met, please call the Company at the number provided in this report.
6. Notice: Please be aware that due to the conflict between federal and state laws concerning the cultivation, distribution, manufacture or sale of marijuana, the Company is not able to close or insure any transaction involving Land that is associated with these activities.
7. The application for title insurance was placed by reference to only a street address or tax identification number. The proposed Insured must confirm that the legal description in this report covers the parcel(s) of Land requested to be insured. If the legal description is incorrect, the proposed Insured must notify the Company and/or the settlement company in order to prevent errors and to be certain that the legal description for the intended parcel(s) of Land will appear on any documents to be recorded in connection with this transaction and on the policy of title insurance.
8. Note: The policy of title insurance will include an arbitration provision. The Company or the insured may demand arbitration. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Please ask your escrow or title officer for a sample copy of the policy to be issued if you wish to review the arbitration provisions and any other provisions pertaining to your Title Insurance coverage.
9. Pursuant to Government Code Section 27388.1, as amended and effective as of 1-1-2018, a Documentary Transfer Tax (DTT) Affidavit may be required to be completed and submitted with each document when DTT is being paid or when an exemption is being claimed from paying the tax. If a governmental agency is a party to the document, the form will not be required. DTT Affidavits may be available at a Tax Assessor-County Clerk-Recorder.

END OF INFORMATIONAL NOTES

Kevin Davis/bd1



Inquire before you wire!

Wire Fraud Alert

This Notice is not intended to provide legal or professional advice. If you have any questions, please consult with a lawyer.

All parties to a real estate transaction are targets for wire fraud and many have lost hundreds of thousands of dollars because they simply relied on the wire instructions received via email, without further verification. **If funds are to be wired in conjunction with this real estate transaction, we strongly recommend verbal verification of wire instructions through a known, trusted phone number prior to sending funds.**

In addition, the following non-exclusive self-protection strategies are recommended to minimize exposure to possible wire fraud.

- **NEVER RELY** on emails purporting to change wire instructions. Parties to a transaction rarely change wire instructions in the course of a transaction.
- **ALWAYS VERIFY** wire instructions, specifically the ABA routing number and account number, by calling the party who sent the instructions to you. DO NOT use the phone number provided in the email containing the instructions, use phone numbers you have called before or can otherwise verify. **Obtain the phone number of relevant parties to the transaction as soon as an escrow account is opened.** DO NOT send an email to verify as the email address may be incorrect or the email may be intercepted by the fraudster.
- **USE COMPLEX EMAIL PASSWORDS** that employ a combination of mixed case, numbers, and symbols. Make your passwords greater than eight (8) characters. Also, change your password often and do NOT reuse the same password for other online accounts.
- **USE MULTI-FACTOR AUTHENTICATION** for email accounts. Your email provider or IT staff may have specific instructions on how to implement this feature.

For more information on wire-fraud scams or to report an incident, please refer to the following links:

Federal Bureau of Investigation:
<http://www.fbi.gov>

Internet Crime Complaint Center:
<http://www.ic3.gov>



Fidelity National Title Company
 100 Pine Street, Suite 2460, San Francisco, CA 94111
 Phone: (415) 276-0220 • Fax:

Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

Not all discounts are offered by every FNF Company. The discount will only be applicable to the FNF Company as indicated by the named discount.

FNF Underwritten Title Company

CTC – Chicago Title company
 CLTC – Commonwealth Land Title Company
 FNTC – Fidelity National Title Company of California
 FNTCCA - Fidelity National Title Company of California
 TICOR – Ticor Title Company of California
 LTC – Lawyer’s Title Company
 SLTC – ServiceLink Title Company

Underwritten by FNF Underwriters

CTIC – Chicago Title Insurance Company
 CLTIC - Commonwealth Land Title Insurance Company
 FNTIC – Fidelity National Title Insurance Company
 FNTIC - Fidelity National Title Insurance Company
 CTIC – Chicago Title Insurance Company
 CLTIC – Commonwealth Land Title Insurance Company
 CTIC – Chicago Title Insurance Company

Available Discounts

DISASTER LOANS (CTIC, CLTIC, FNTIC)

The charge for a Lender’s Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within twenty-four (24) months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be fifty percent (50%) of the appropriate title insurance rate.

CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (CTIC, FNTIC)

On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be fifty percent (50%) to seventy percent (70%) of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be forty (40%) to fifty percent (50%) of the appropriate title insurance rate, depending on the type of coverage selected.

FIDELITY NATIONAL FINANCIAL, INC. PRIVACY NOTICE

Effective January 1, 2021

Fidelity National Financial, Inc. and its majority-owned subsidiary companies (collectively, “FNF,” “our,” or “we”) respect and are committed to protecting your privacy. This Privacy Notice explains how we collect, use, and protect personal information, when and to whom we disclose such information, and the choices you have about the use and disclosure of that information.

A limited number of FNF subsidiaries have their own privacy notices. If a subsidiary has its own privacy notice, the privacy notice will be available on the subsidiary’s website and this Privacy Notice does not apply.

Collection of Personal Information

FNF may collect the following categories of Personal Information:

- contact information (e.g., name, address, phone number, email address);
- demographic information (e.g., date of birth, gender, marital status);
- identity information (e.g. Social Security Number, driver’s license, passport, or other government ID number);
- financial account information (e.g. loan or bank account information); and
- other personal information necessary to provide products or services to you.

We may collect Personal Information about you from:

- information we receive from you or your agent;
- information about your transactions with FNF, our affiliates, or others; and
- information we receive from consumer reporting agencies and/or governmental entities, either directly from these entities or through others.

Collection of Browsing Information

FNF automatically collects the following types of Browsing Information when you access an FNF website, online service, or application (each an “FNF Website”) from your Internet browser, computer, and/or device:

- Internet Protocol (IP) address and operating system;
- browser version, language, and type;
- domain name system requests; and
- browsing history on the FNF Website, such as date and time of your visit to the FNF Website and visits to the pages within the FNF Website.

Like most websites, our servers automatically log each visitor to the FNF Website and may collect the Browsing Information described above. We use Browsing Information for system administration, troubleshooting, fraud investigation, and to improve our websites. Browsing Information generally does not reveal anything personal about you, though if you have created a user account for an FNF Website and are logged into that account, the FNF Website may be able to link certain browsing activity to your user account.

Other Online Specifics

Cookies. When you visit an FNF Website, a “cookie” may be sent to your computer. A cookie is a small piece of data that is sent to your Internet browser from a web server and stored on your computer’s hard drive. Information gathered using cookies helps us improve your user experience. For example, a cookie can help the website load properly or can customize the display page based on your browser type and user preferences. You can choose whether or not to accept cookies by changing your Internet browser settings. Be aware that doing so may impair or limit some functionality of the FNF Website.

Web Beacons. We use web beacons to determine when and how many times a page has been viewed. This information is used to improve our websites.

Do Not Track. Currently our FNF Websites do not respond to “Do Not Track” features enabled through your browser.

Links to Other Sites. FNF Websites may contain links to unaffiliated third-party websites. FNF is not responsible for the privacy practices or content of those websites. We recommend that you read the privacy policy of every website you visit.

Use of Personal Information

FNF uses Personal Information for three main purposes:

- To provide products and services to you or in connection with a transaction involving you.
- To improve our products and services.
- To communicate with you about our, our affiliates’, and others’ products and services, jointly or independently.

When Information Is Disclosed

We may disclose your Personal Information and Browsing Information in the following circumstances:

- to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure;
- to nonaffiliated service providers who provide or perform services or functions on our behalf and who agree to use the information only to provide such services or functions;

- to nonaffiliated third party service providers with whom we perform joint marketing, pursuant to an agreement with them to jointly market financial products or services to you;
- to law enforcement or authorities in connection with an investigation, or in response to a subpoena or court order; or
- in the good-faith belief that such disclosure is necessary to comply with legal process or applicable laws, or to protect the rights, property, or safety of FNF, its customers, or the public.

The law does not require your prior authorization and does not allow you to restrict the disclosures described above. Additionally, we may disclose your information to third parties for whom you have given us authorization or consent to make such disclosure. We do not otherwise share your Personal Information or Browsing Information with nonaffiliated third parties, except as required or permitted by law. We may share your Personal Information with affiliates (other companies owned by FNF) to directly market to you. Please see “Choices with Your Information” to learn how to restrict that sharing.

We reserve the right to transfer your Personal Information, Browsing Information, and any other information, in connection with the sale or other disposition of all or part of the FNF business and/or assets, or in the event of bankruptcy, reorganization, insolvency, receivership, or an assignment for the benefit of creditors. By submitting Personal Information and/or Browsing Information to FNF, you expressly agree and consent to the use and/or transfer of the foregoing information in connection with any of the above described proceedings.

Security of Your Information

We maintain physical, electronic, and procedural safeguards to protect your Personal Information.

Choices With Your Information

If you do not want FNF to share your information among our affiliates to directly market to you, you may send an “opt out” request as directed at the end of this Privacy Notice. We do not share your Personal Information with nonaffiliates for their use to direct market to you without your consent.

Whether you submit Personal Information or Browsing Information to FNF is entirely up to you. If you decide not to submit Personal Information or Browsing Information, FNF may not be able to provide certain services or products to you.

For California Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties, except as permitted by California law. For additional information about your California privacy rights, please visit the “California Privacy” link on our website (<https://fnf.com/pages/californiaprivacy.aspx>) or call (888) 413-1748.

For Nevada Residents: You may be placed on our internal Do Not Call List by calling (888) 934-3354 or by contacting us via the information set forth at the end of this Privacy Notice. Nevada law requires that we also provide you with the following contact information: Bureau of Consumer Protection, Office of the Nevada Attorney General, 555 E. Washington St., Suite 3900, Las Vegas, NV 89101; Phone number: (702) 486-3132; email: BCPINFO@ag.state.nv.us.

For Oregon Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties for marketing purposes, except after you have been informed by us of such sharing and had an opportunity to indicate that you do not want a disclosure made for marketing purposes.

For Vermont Residents: We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures.

Information From Children

The FNF Websites are not intended or designed to attract persons under the age of eighteen (18). We do not collect Personal Information from any person that we know to be under the age of thirteen (13) without permission from a parent or guardian.

International Users

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Accessing and Correcting Information; Contact Us

If you have questions, would like to correct your Personal Information, or want to opt-out of information sharing for affiliate marketing, visit FNF's [Opt Out Page](#) or contact us by phone at (888) 934-3354 or by mail to:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

ATTACHMENT ONE (Revised 05-06-16)

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY – 1990

EXCLUSIONS FROM COVERAGE

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

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

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

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13) ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. improvements on the Land;
 - e. land division; and
 - f. environmental protection.This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and

- b. in streets, alleys, or waterways that touch the Land.
This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
 8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
 9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
- The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16:	1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 10,000.00
Covered Risk 18:	1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 19:	1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 21:	1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 5,000.00

2006 ALTA LOAN POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

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

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

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

{Except as provided in Schedule B - Part II, { or T}his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

{PART I

{The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.}

PART II

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

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

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

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

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:
 {The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown in the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and that are not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records. }
7. {Variable exceptions such as taxes, easements, CC&R's, etc. shown here.}

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY – ASSESSMENTS PRIORITY (04-02-15)

EXCLUSIONS FROM COVERAGE

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

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

Addendum C

Comparable Data



Lease Comparables



Location & Property Identification

Property Name:	Kilroy Oyster Point
Sub-Property Type:	Office/Business Park
Address:	379 Oyster Point Blvd.
City/State/Zip:	South San Francisco, CA 94080
County:	San Mateo
Submarket:	Northern San Mateo
Market Orientation:	Suburban
IRR Event ID:	2729204



Space Information

Space Type:	Office
Full Building Lease:	Yes
Leased Area:	421,000

NRA-SF:	1
Acres(Gross):	0.00
Land-SF(Gross):	1
Property Class:	A
Bldg. to Land Ratio FAR:	1.00
Source of Land Info.:	Public Records

Lease Information

Lease Status:	Signed Lease
Lessee:	Stripe
Lease Signed Date:	10/01/2019
Start/Available Date:	01/01/2022
Term of Lease:	144 months
Lease Measure:	\$/SF/Mo
Face Rental Rate:	\$5.50
Effective Rental Rate:	\$6.69
Escalation Type:	Fixed Percentage
Escalation Desc.:	3.5% annually

Comments

Lease of two newly constructed buildings (352 and 354 Oyster Point Boulevard) to tech tenant Stripe, which focuses on payment processing. The commencement date is an estimate, as the lease begins upon completion of the landlord's work; the lease was negotiated in 2019.

Lease Expense Information

Reimbursement Method:	Triple Net
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Improvement and Site Data

GBA-SF:	1
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Kilroy Oyster Point



Location & Property Identification

Property Name:	Kilroy Oyster Point
Sub-Property Type:	Office/Business Park
Address:	379 Oyster Point Blvd.
City/State/Zip:	South San Francisco, CA 94080
County:	San Mateo
Submarket:	Northern San Mateo
Market Orientation:	Suburban
IRR Event ID:	2729046



Space Information

Space Type:	R&D/Life Science Technology
Full Building Lease:	Yes
Leased Area:	234,892

Lease Information

Lease Status:	Asking Rent
Lessor:	KR Oyster Point 1, LLC
Lessee:	Cytokinetics, Inc
Lease Signed Date:	07/24/2019
Start/Available Date:	01/01/2022
Term of Lease:	144 months
Lease Measure:	\$/SF/Mo
Face Rental Rate:	\$5.45
Effective Rental Rate:	\$6.55
Escalation Type:	Fixed Percentage
Escalation Desc.:	3.5% annually
TI Allowance (\$/SF):	\$145.00
TI Type:	New Tenant
Free Rent (Months):	2.00
Renewal Options:	Yes
Desc. of Options:	Two 5-year options

Lease Expense Information

Reimbursement Method:	Triple Net
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Improvement and Site Data

GBA-SF:	1
NRA-SF:	1
Acres(Gross):	0.00
Land-SF(Gross):	1
Property Class:	A
Bldg. to Land Ratio FAR:	1.00
Source of Land Info.:	Public Records

Comments

Twelve year lease of newly constructed space in Oyster Point to a life sciences user. Lease was negotiated in 2019; the commencement date is approximate, as the lease will begin when the landlord's work is complete. The improvements will include an auditorium, fitness center, food and beverage space. The tenant received two months of free rent and a \$145 psf TI allowance.

Location & Property Identification

Property Name:	The Shore at Sierra Point
Sub-Property Type:	R&D - Life Science Technology
Address:	1400 Sierra Point Pky.
City/State/Zip:	Brisbane, CA 94005
County:	San Mateo
Submarket:	Northern San Mateo
Market Orientation:	Suburban
Property Location:	East of Highway 101, south of Sierra Point Pky
IRR Event ID:	2729922



Space Information

Space Type:	R&D/Life Science Technology
Full Building Lease:	No
Leased Area:	65,818

Lease Information

Lease Status:	Signed Lease
Lessor:	HCP LS Brisbane, LLC
Lessee:	Annexon, Inc.
Lease Signed Date:	12/18/2020
Start/Available Date:	11/01/2021
Term of Lease:	120 months
Lease Measure:	\$/SF/Mo
Face Rental Rate:	\$5.75
Effective Rental Rate:	\$6.60
Escalation Type:	Fixed Percentage
Escalation Desc.:	3.5% annually
TI Allowance (\$/SF):	\$165.00
TI Type:	New Tenant
Free Rent (Months):	3.00
Renewal Options:	Yes
Desc. of Options:	One 10-year option

Transaction Reliability: Confirmed

Lease Expense Information

Reimbursement Method: Triple Net

Improvement and Site Data

MSA:	San Francisco-Oakland-Hayward, CA
Legal/Tax/Parcel ID:	007-165-150, 007-165-140, 007-165-130
GBA-SF:	616,000
NRA-SF:	616,000
Acres(Usable/Gross):	22.84/22.84
Land-SF(Usable/Gross):	995,004/995,004
Usable/Gross Ratio:	1.00
Year Built:	2021
Property Class:	A
M&S Class:	A
Construction Quality:	Good
Bldg. to Land Ratio FAR:	0.62
Source of Land Info.:	Public Records

Comments

Five building life sciences campus currently under construction by Healthpeak. The campus will include a restaurant/bar, fitness center, retail space, and 4.5 level parking garage. The buildings range from approximately

Comments (Cont'd)

106,000 to 160,000 square feet.

Lease of newly constructed life sciences space within Building C at The Shore at Sierra Point campus to a biosciences tenant. Commencement date is an estimate, as occupancy is dependent on completion of construction. The tenant received 3 months of free rent and a \$165 psf TI allowance.

Location & Property Identification

Property Name:	Alexandria District for Science & Technology
Sub-Property Type:	R&D - Life Science Technology
Address:	825-835 Industrial Rd.
City/State/Zip:	San Carlos, CA 94070
County:	San Mateo
Submarket:	Southern San Mateo County
Market Orientation:	Suburban
IRR Event ID:	2558038



Space Information

Space Type:	R&D/Life Science Technology
Full Building Lease:	No
Leased Area:	93,332

Lease Information

Lease Status:	Signed Lease
Lessor:	Alexandria Real Estate Equities, Inc.
Lessee:	Allakos
Lease Signed Date:	02/01/2020
Start/Available Date:	07/01/2021
Expiration Date:	10/31/2031
Term of Lease:	124 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$69.00
Effective Rental Rate:	\$69.00
Escalation Type:	Fixed Percentage
Escalation Desc.:	3% Annual
Percentage Rent:	No
TI Allowance (\$/SF):	\$150.00
TI Type:	New Tenant
Free Rent (Months):	6.00
Renewal Options:	Yes
Desc. of Options:	1 option for 5 years at FMR

Lease Expense Information

Reimbursement Method:	Triple Net
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Improvement and Site Data

MSA:	San Francisco-Oakland-Hayward, CA
Legal/Tax/Parcel ID:	046-100-350
GBA-SF:	282,190
NRA-SF:	282,190
Acres(Gross):	7.96
Land-SF(Gross):	346,738
Year Built:	2021
Property Class:	A
Construction Quality:	Good
Improvements Cond.:	Good
Exterior Walls:	Concrete Precast
No. of Buildings/Stories:	1/6
Total Parking Spaces:	847
Park. Ratio 1000 SF GLA:	3.00
Park. Ratio 1000 SF GBA:	3.00
Elevators Count:	Yes
Fire Sprinkler Type:	Wet

Improvement and Site Data (Cont'd)

Air-Conditioning Type:	Central
Bldg. to Land Ratio FAR:	0.81
Bldg. Phy. Info. Source:	Other
Source of Land Info.:	Public Records

Comments

Lease of life science/biotech space at the Alexandria District for Science and Technology, a two building development nearing completion in San Carlos. Lease includes TI allowance of \$150/SF plus additional TIs to be amortized at 8%.

Location & Property Identification

Property Name:	201 Haskins Way
Sub-Property Type:	R&D - Life Science Technology
Address:	201 Haskins Way
City/State/Zip:	South San Francisco, CA 94080
County:	San Mateo
Submarket:	Northern San Mateo
Market Orientation:	Suburban
IRR Event ID:	2730024



Space Information

Space Type:	R&D/Life Science Technology
Leased Area:	105,000

Lease Information

Lease Status:	Asking Rent
Lessee:	Lyell
Lease Signed Date:	02/01/2020
Start/Available Date:	02/01/2021
Term of Lease:	120 months
Lease Measure:	\$/SF/Mo
Face Rental Rate:	\$5.50
Escalation Type:	Fixed Percentage

Lease Expense Information

Reimbursement Method:	Triple Net
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Improvement and Site Data

MSA:	San Francisco-Oakland-Hayward, CA
Legal/Tax/Parcel ID:	015-102-230

GBA-SF:	315,000
NRA-SF:	315,000
Acres(Usable/Gross):	6.44/6.44
Land-SF(Usable/Gross):	280,439/280,439
Usable/Gross Ratio:	1.00
Year Built:	2021
Property Class:	A
M&S Class:	A
Total Parking Spaces:	733
Park. Ratio 1000 SF GLA:	2.33
Park. Ratio 1000 SF GBA:	2.33
Bldg. to Land Ratio FAR:	1.12
Source of Land Info.:	Public Records

Comments

Property includes two new life science buildings constructed in 2021 and developed by Alexandria. Amenities include a cafe, fitness center, conference center, and roof top deck.

Lease within newly constructed life sciences building in South San Francisco to Lyell Pharmaceuticals. Lease was signed in February 2020 but commenced in February 2021.

Location & Property Identification

Property Name:	Genesis North Tower
Sub-Property Type:	R&D - Life Science Technology
Address:	2 Tower Pl.
City/State/Zip:	South San Francisco, CA 94080
County:	San Mateo
Submarket:	Northern San Mateo
Market Orientation:	Suburban
IRR Event ID:	2730055



Space Information

Space Type:	R&D/Life Science Technology
Full Building Lease:	No
Leased Area:	77,929

Lease Information

Lease Status:	Signed Lease
Lessor:	AP3-SF3 CT North, LLC
Lessee:	Fluidigm
Lease Signed Date:	03/20/2019
Start/Available Date:	01/17/2020
Term of Lease:	123 months
Lease Measure:	\$/SF/Mo
Face Rental Rate:	\$5.60
Effective Rental Rate:	\$5.52
Escalation Type:	Fixed Percentage
Escalation Desc.:	3.5% annually
TI Allowance (\$/SF):	\$176.00
TI Type:	New Tenant
Free Rent (Months):	2.00
Concessions:	Tenant received rent abatement on 19,508 SF of space over first 8 months; this calculates to approximately the equivalent of 2 months free rent

Lease Expense Information

Reimbursement Method:	Triple Net
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Improvement and Site Data

MSA:	San Francisco-Oakland-Hayward, CA
Legal/Tax/Parcel ID:	007-650-190
GBA-SF:	375,000
NRA-SF:	375,000
Acres(Usable/Gross):	2.91/2.91
Land-SF(Usable/Gross):	126,732/126,732
Usable/Gross Ratio:	1.00
Year Built:	2019
Property Class:	A
M&S Class:	A
No. of Buildings/Stories:	1/21
Elevators Count:	Yes/7
Bldg. to Land Ratio FAR:	2.96
Zoning Desc.:	Research & Development/Office
Source of Land Info.:	Public Records

Comments

High rise life sciences building in South San Francisco constructed in 2019. This is part of the Genesis life sciences campus. Amenities include a fitness center, bakery, restaurant, meeting/event space, and 7-story parking garage.

New 123-month lease to biotech tenant within the Genesis life sciences campus. The tenant received a \$176 psf TI allowance and the equivalent of 2 months of free rent. The free rent was structured as a rent abatement on a portion of the space over the first 8 month of the lease.

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APPENDIX D-2

SUPPLEMENT TO APPRAISAL REPORT

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Integra Realty Resources
San Francisco

Appraisal of Real Property

City of South San Francisco CFD No. 2021-1 (Public Facilities and Services)

Office Property
379 Oyster Point Blvd.
South San Francisco, San Mateo County, California 94080

Prepared For:
City of South San Francisco

Report Format:
Appraisal Report – Bring Forward Letter

IRR - San Francisco
File Number: 193-2021-0475



March 11, 2022

Ms. Janet Salisbury
Finance Director
City of South San Francisco
400 Grand Ave
South San Francisco, CA 94080

SUBJECT: Market Value Appraisal – Bring Forward Letter
City of South San Francisco CFD No. 2021-1 (Public Facilities and Services)
379 Oyster Point Blvd.
South San Francisco, San Mateo County, California 94080
IRR - San Francisco File No. 193-2021-0475

Dear Ms. Salisbury:

Integra Realty Resources – San Francisco has prepared an update to our Appraisal Report of the above-referenced property. The original Appraisal Report, dated March 11, 2022, was prepared conforming to the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004). The Original Appraisal Report provides the market values (*fee simple estate*) of certain properties within the boundaries of the City of South San Francisco CFD No. 2021-1 (the “CFD”), under the assumptions and conditions contained in this Appraisal Report, as of November 2, 2021. This Update Appraisal Report may only be used in conjunction with the Original Appraisal Report.

As an Update Appraisal Report, this document does not present a complete discussion of the data, reasoning, and analyses used in the appraisal process to develop the appraiser’s opinions of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser’s work file.

We have been requested to ascertain, as of a current date of value (March 11, 2022), whether the market value of the appraised properties is not less than the value conclusion estimated as of the original date of value November 2, 2021.

As a result of our analysis, it is our opinion the market value, derived in the Original Appraisal Report, as of November 2, 2021, in accordance with the assumptions and conditions set forth in the attached document, as of March 11, 2022, is not less than the following:

Value Conclusion

Value Type & Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value, Subject to a Hypothetical Condition	Fee Simple	March 11, 2022	\$1,248,200,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. We have been requested to provide an opinion of market value of the subject property as of March 11, 2022. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for public improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Presented below is an excerpt from the Original Appraisal Report of pertinent information pertaining to the subject properties:

Property Name	City of South San Francisco CFD No. 2021-1 (Public Facilities and Services)
Address	379 Oyster Point Blvd. South San Francisco, San Mateo County, California 94080
Property Type	Office - Life Sciences
Owner of Record	Kilroy Oyster Point I, LLC ("Kilroy OP I"), Kilroy Oyster Point II, LLC ("Kilroy OP II"), Kilroy Oyster Point III, LLC ("Kilroy OP III"), and KR Crescent Beach, LLC
Tax ID	015-010-240, 015-010-910, 015-010-930, 015-010-940 and 015-010-950
Land Area	44.23 acres; 1,926,698 SF
Gross Building Area	2,520,892 SF
Rentable Area	2,206,690 SF
Percent Leased	Phase I - 100% / Phases II - IV - Proposed
Year Built	Phase I - 2021 / Phases II - IV - Proposed
Zoning Designation	OPSPD, Oyster Point Specific Plan District
Highest and Best Use - As if Vacant	Life sciences use
Highest and Best Use - As Improved	Continued development for life sciences use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	March 11, 2022
Date of the Report	March 11, 2022
Property Interest Appraised	Fee Simple

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

Executive Summary

Type and Definition of Value:

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

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

- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Client and Intended Users:

The client is the City of South San Francisco. The intended users are the City of South San Francisco and its associated finance team. The appraisal is not intended for any other use or user. No party or parties other than the City of South San Francisco and its associated finance team may use or rely on the information, opinions, and conclusions contained in this report.

Intended Use:

The intended use of the appraisal is for bond underwriting purposes. The appraisers understand and agree that this Update Appraisal Report, and Original Appraisal Report, is expected to be, and may be, utilized in the marketing of the Bonds and to satisfy certain legal requirements in connection with issuing the Bonds.

Purpose:

The purpose of this Update Appraisal Report, dated March 11, 2022, is to ascertain whether the current (March 11, 2022) estimate of cumulative, or aggregate, value of the District is not less than the value derived in the Original Appraisal Report, dated March 11, 2022, with a date of value of November 2, 2021. The market value of the appraised properties in the CFD account for the impact of the Lien of the Special Tax securing the Bonds.

Scope of Work:

In preparing this Update Appraisal Report, we analyzed market data presented in our Original Appraisal Report dated March 11, 2022 (as of the November 2, 2021 date of value). In addition, we analyzed current market conditions. This Update Appraisal Report sets forth only the appraiser's conclusions. Supporting documentation is retained in the appraiser's work file.

Date of Inspection:

The subject was not re-inspected.

Current Date of Value: March 11, 2022

Date of Report: March 11, 2022

Market Trends:

The South San Francisco life sciences market has continued to strengthen since the effective date of the Original Appraisal Report. The table below summarizes life science leases signed in November and December of 2021. The data suggests rental rates continued to escalate in fourth quarter of 2021.

Additional Lease Support										
Property	City	Tenant	Contract		Rent (\$/PSF/			Escalations	TI Allowance	Free Rent
			Date	Size	Month	Term				
Nexus on Grand	S. San Francisco	Graphite Bio	Dec-21	85,165	\$6.90	120	3.50%	175	Partial rent 6 mos	
1000 Gateway Blvd (GOP I)	S. San Francisco	Erasca	Nov-21	29,542	\$7.40	120	3.50%	\$30 (over spec)	4	
751 Gateway Blvd	S. San Francisco	Genentech	Nov-21	230,592	\$6.50	84	3.00%	195	3	
1 Tower Place	S. San Francisco	Amunix Pharma	Nov-21	18,748	\$7.05	120	3.50%	40	2	

This Update Appraisal Report has been performed in accordance with the requirements of USPAP, the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004). Additionally, this valuation is offered in accordance with the limiting conditions and assumptions set forth in this Appraisal Report. The appraisers understand and agree that this Update Appraisal Report, and original Appraisal Report, is expected to be, and may be, utilized in the marketing of the Bonds and to satisfy certain legal requirements in connection with issuing the Bonds.

This Update Appraisal Report dated March 11, 2022, which contains 12 pages, must remain attached to the original appraisal dated March 11, 2022, which contains 107 pages, plus related exhibits and Addenda, in order for the value opinions set forth herein to be considered valid.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Kevin Ziegenmeyer, MAI, made a personal inspection of the property that is the subject of this report. Laura Diaz has also personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.

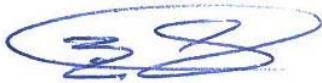
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Kevin Ziegenmeyer, MAI, has the continuing education program for Designated Members of the Appraisal Institute.
15. As of the date of this report, Laura Diaz, has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



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



Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037



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

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – LocalOffice, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – LocalOffice is not a building or environmental inspector. Integra LocalOffice does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – LocalOffice, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client’s use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

Addendum A
Appraiser Qualifications



Kevin Ziegenmeyer, MAI

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the state of California, and Northern Nevada. Mr. Ziegenmeyer handles many of the firm's master-planned property appraisals and over the past two decades has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In fact, Mr. Ziegenmeyer was one of five appraisers to collaborate with other professionals in developing the appraisal guidelines for the California Debt and Investment Advisory Commission (Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing - 2004). He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities and counties of San Francisco, Dublin, Monterey, Newport Beach, Alameda, Napa and San Mateo. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2023

Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

Integra Realty Resources - Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com



kziegenmeyer@irr.com - 916-435-3883 x224

Kevin Ziegenmeyer, MAI

Education (Cont'd)

General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Integra Realty Resources - Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com





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

Kevin K. Ziegenmeyer

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2021

Date Expires: June 4, 2023

Loretta Dillon, Deputy Bureau Chief, BREA

3057527

Laura Diaz

Experience

Ms. Diaz is a Certified General real estate appraiser. She began her career in real estate as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. Since graduating in 2013, Ms. Diaz has been writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, hotels, and data centers. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office.

Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2022

Education

Academic:

Bachelor of Arts in English, University of Louisville

Master of Urban Planning, University of Louisville

Graduate Certificate in Real Estate Development, University of Louisville

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Basic Appraisal Principles

Basic Appraisal Procedures

Real Estate Finance Statistics and Valuation Modeling

Site Valuation and Cost Approach

General Market Analysis and Highest and Best Use

Sales Comparison Approach

Income Capitalization Approach Part I

Income Capitalization Approach Part II

General Appraiser Report Writing and Case Studies

Expert Witness for Commercial Appraisers

Basic Hotel Appraising – Limited Service Hotels

Integra Realty Resources San Francisco

555 Meridian Avenue
Suite C
San Jose, CA 95126

T 415-715-4690
F

irr.com

ldiaz@irr.com - 415-715-4690





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

Laura B. Diaz

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: 3005037

Effective Date: January 3, 2022

Date Expires: January 2, 2024

Loretta Dillon, Deputy Bureau Chief, BREA

3061654

Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office as well as Integra-Sacramento office.

Professional Activities & Affiliations

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

Licenses

California, Certified General, AG026558, Expires February 2023
Nevada, Certified General, A.0207666-CG, Expires January 2023
Arizona, Certified General, CGA - 1006422, Expires January 2024
Washington, Certified General, 20100611, Expires June 2023

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Self-Storage Economics and Appraisal Seminar
Appraisal Litigation Practice and Courtroom Management
Hotel Valuations: New Techniques for today's Uncertain Times
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications
Supervisor-Trainee Course for California

esegal@irr.com - 916.435.3883 x228

Integra Realty Resources - Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916.435.3883
F 916.435.4774

irr.com





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

Eric A. Segal

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2021

Date Expires: February 18, 2023

Loretta Dillon, Deputy Bureau Chief, BREA

3055248

APPENDIX E

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.

DEFINITIONS

“Account” means any account created pursuant to the Indenture.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 *et seq.* of the California Government Code.

“Acquisition Agreement” means that certain Amended and Restated Acquisition, Construction and Funding Agreement by and between the City, acting for and behalf of itself and the District, and Kilroy Realty TRS, Inc., a Delaware corporation, together with any amendments thereto.

“Acquisition and Construction Fund” means the fund by that name established pursuant to the Indenture.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by the City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District hereunder, under the Continuing Disclosure Certificate or under the Acquisition Agreement.

“Administrative Expenses Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Administrative Expenses Cap” means an amount equal to \$50,000 per Bond Year, which amount shall escalate at 2.00% per Fiscal Year, commencing July 1, 2023.

“Alternate Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

“Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Outstanding Bonds and any Outstanding Parity Bonds are retired as scheduled.

“Authorized Investments” means any of the following to the extent then permitted by the general laws of the State of California:

- (1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”); (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of

principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
 - All direct or fully guaranteed obligations
- Farmers Home Administration
 - Certificates of beneficial ownership
- General Services Administration
 - Participation certificates
- U.S. Maritime Administration
 - Guaranteed Title XI financing
- Small Business Administration
 - Guaranteed participation certificates
 - Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
 - GNMA-guaranteed mortgage-backed securities
 - GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
 - Local authority bonds
- Washington Metropolitan Area Transit Authority
 - Guaranteed transit bonds

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
 - Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - Senior debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal intermediate Credit Banks and Banks for Cooperatives)
 - Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
 - Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
 - Senior debt obligations
 - Mortgage-backed securities (excluded are stripped mortgages securities which are purchased at prices exceeding their principal amounts)
- Financing Corporation (FICO)
 - Debt obligations
- Resolution Funding Corporation (REFCORP)
 - Debt obligations

- Federal Agricultural Mortgage Corporation (Farmer Mac)
Debt obligations

(4) Bank deposit products, unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Trustee), trust funds, trust accounts, overnight banking deposits, interest bearing deposits, interest bearing money market accounts, time deposits, demand deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank (including the Trustee and any affiliate) the short-term obligations of which are rated "A-1" or "A-2" without regard to qualifier by a nationally recognized rating agency service.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee and its affiliates, which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "A-1" or better by S&P or "Prime-1" by Moody's.

(7) Money market mutual funds rated "AAM" or "AAM-G" by a nationally recognized rating agency service, or better (including those for which the Trustee or its affiliates receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise) but excluding such funds with a floating net asset value.

(8) Investments in repurchase agreements which comply with the requirements of California Government Code Section 53601(j) pursuant to which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Trustee by book entry, physical delivery, or by third party custodial agreement. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date and maturity.

Repurchase agreements are required to be collateralized by securities or cash authorized under California Government Code Section 53601(j)(2) as described below:

(a) To anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater for U.S. securities listed in paragraph (1) above and 105% for U.S. Government Agency securities listed in paragraph (3) above, of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% or 105%, as applicable, no later than the next business day.

(b) Collateral will be limited to U.S. Treasury securities listed in paragraph (1) above and U.S. Government Agency securities listed in paragraph (3) above. Collateral will be held by an independent third party with whom the Trustee has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Trustee and retained. The Trustee retains the right to substitute or grant substitutions of collateral.

(9) State Obligations:

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the

unsecured general obligation debt of which is rated “A2” by Moody’s or “A+” by S&P or Fitch, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct general short-term obligations of any state agency or subdivision described in (a) above and rated “A-1+” by S&P or “F1+” by Fitch or “Prime-1” by Moody’s.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated “A+” or better by S&P or Fitch or “Aa” or better by Moody’s.

(10) Local Agency Investment Fund of the State of California.

(11) Investment Agreements.

(12) Pre-refunded municipal obligations rated “AAA” by S & P or Fitch or “Aaa” by Moody’s meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

The Trustee shall have no responsibility to monitor the ratings of Authorized Investments after the initial purchase of such Authorized Investments,

“Authorized Representative of the City” means the City Manager of the City, the Assistant City Manager of the City, the Director of Finance of the City or any other person or persons designated by the City Manager, the Assistant City Manager or the Director of Finance by a written certificate signed by the City Manager, the Assistant City Manager or the Director of Finance and containing the specimen signature of each such person.

“Authorized Representative of the District” means the City Manager of the City, the Assistant City Manager of the City, or the Director of Finance of the City or any other person or persons designated by the City Manager, the Assistant City Manager or Director of Finance by a written certificate signed by the City Manager, the Assistant City Manager or the Director of Finance and containing the specimen signature of each such person.

“Bond Counsel” means an attorney at law or a firm of attorneys selected by the City of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds shall be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond or Parity Bond is registered.

“Bonds” means the 2022 Bonds.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate executed by an Authorized Representative of the City or by an Authorized Representative of the District, as applicable.

“Certificate of the Special Tax Administrator” means a certificate of an Authorized Representative of the District, or any successor entity appointed by the District, to administer the calculation and collection of the Special Taxes.

“City” means the City of South San Francisco, California.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of April 1, 2022, executed by the District, together with any amendments thereto.

“Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the City.

“County” means the County of San Mateo, California.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Depository” shall mean The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Certificates, or any other securities depository acting as Depository under the Indenture.

“Developed Property” has the meaning set forth in the RMA.

“Direct Debt for District Property” means the aggregate principal amount of the Outstanding Bonds and Parity Bonds.

“Direct Debt for Undeveloped Property” means that portion of the aggregate principal amount of the Outstanding Bonds and Parity Bonds which is allocable to Undeveloped Property determined by a fraction, the numerator of which is the estimated Special Taxes to be levied on Undeveloped Property in the Fiscal Year following the Fiscal Year in which the Parity Bonds are issued and the denominator of which is the total amount of Special Taxes estimated to be levied on all Taxable Property in the Fiscal Year following the Fiscal Year in which Parity Bonds are issued, without taking into account any amount of capitalized interest.

“District” means City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services), City of South San Francisco, County of San Mateo, State of California, established pursuant to the Act and the Resolution of Formation.

“Event of Default” means an the “event of default” described in the Indenture.

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”), (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s and Moody’s, respectively (or any combination thereof).

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Fitch” means Fitch Ratings, Inc., its successors and assigns.

“Gross Taxes” means the amount of all Special Taxes received by the District, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions, but excluding any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the District the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County pursuant to California Revenue and Taxation Code Sections 4701 *et seq.*

“Indenture” means the Bond Indenture dated as of April 1, 2022, pursuant to which the Bonds have been issued, together with any Supplemental Indenture approved pursuant to the Indenture.

“Independent Financial Consultant” means a financial consultant, municipal advisor or firm of such consultants or advisors generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom:

- (1) is in fact independent and not under the domination of the District or the City;
 - (2) does not have any substantial interest, direct or indirect, in the District or the City;
- and
- (3) is not connected with the District or the City as a member, officer or employee of the District or the City, but who may be regularly retained to make annual or other reports to the District or the City.

“Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2022; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

“Investment Agreement” means an investment agreement supported by appropriate opinions of counsel; provided the provider thereof or the guarantor thereof is rated, at the time of execution, equal to at least “A+” or “A1” by S&P or Moody’s, respectively.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year:

- (1) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and
- (2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Outstanding Bonds and Parity Bonds are retired as scheduled.

“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns.

“Net Taxes” means Gross Taxes for any Fiscal Year minus amounts set aside to pay Administrative Expenses, not to exceed the Administrative Expenses Cap for the respective Fiscal Year.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Ordinance” means Ordinance No. 1620-2021 adopted by the legislative body of the District on March 24 2021, providing for the levying of the Special Tax.

“Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except:

- (1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture;
- (2) Bonds and Parity Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the

maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

“Overlapping Debt” means with respect to any property within the District, the sum of (a) the aggregate amount of all unpaid assessments which are a lien on such property and which are pledged to secure the repayment of bonds, plus (b) a portion of the principal amount of any outstanding debt obligations of other community facilities districts which are payable at least partially from special taxes to be levied on such property (the “Other CFD Bonds”) determined by multiplying the aggregate principal amount of the Other CFD Bonds by a fraction, the numerator of which is the amount of special taxes levied for the Other CFD Bonds on such property and the denominator of which is the total amount of special taxes levied for the Other CFD Bonds on all parcels of property which are subject to the levy of such special taxes, based upon information which is available for the then current Fiscal Year.

“Parity Bonds” means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in the Indenture or any Supplemental Indenture, are secured on a parity with the Bonds.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayments” means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the RMA.

“Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Principal Office of the Trustee” means the office of the Trustee located in San Francisco, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued, except that with respect to presentation of Bonds and Parity Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Project” means those public facilities authorized to be funded by the District as described in the Resolution of Formation which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds and the formation of the District, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

“Rebate Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

“Rebate Fund” means the fund by that name established pursuant to the Indenture in which there are established the Rebate Account and the Alternative Penalty Account described in the Indenture.

“Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” shall mean the Blanket Letter of Representations from the District to the Depository as described in the Indenture.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Reserve Requirement” means that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; provided, however, that the Reserve Requirement shall not exceed \$1,627,790.84 except in connection with the issuance of Parity Bonds.

“Resolution of Formation” means Resolution No. 53-2021 adopted by the City Council of the City on March 10, 2021, pursuant to which the City formed the District.

“RMA” means the Rate and Method of Apportionment of Special Tax for the District referred to in the Resolution of Formation and approved by the qualified electors of the District at the March 10, 2021 election, as originally the effect or as it may be modified the accordance with the Act and to the Indenture

“Series 2022 Bonds” means the District’s Special Tax Bonds (Oyster Point) Series 2022 issued on April 21, 2022 in the aggregate principal amount of \$19,685,000.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

“Six-Month Period” means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

“Special Tax Fund” means the fund by that name created and established pursuant to the Indenture.

“Special Taxes” means the “Special Tax A” (as defined in the RMA) authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the March 10, 2021 election in the District, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“Subaccount” means any subaccount created pursuant to the Indenture.

“Supplemental Indenture” means any supplemental indenture amending or supplementing the Indenture.

“Surplus Fund” means the fund by that name created and established pursuant to the Indenture.

“Taxable Property” has the meaning set forth in the RMA.

“Tax Certificate” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Tax-Exempt” means, with reference to an Authorized Investment, an Authorized Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

“Term Bonds” means the Series 2022 Bonds maturing on September 1, 2036 and September 1, 2044, and September 1, 2052, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“Trustee” means The Bank of New York Mellon Trust Company, N.A. a national banking association duly organized and existing under the laws of the United States of America, at its principal corporate trust office in San Francisco, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated with respect to the Bonds and, with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

“Undeveloped Property” has the meaning set forth in the RMA.

“Value of Developed Property” means for all parcels of Developed Property which are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, either (i) the fair market value, as of the date of the appraisal provided for below, of such parcels of Developed Property, including with respect to such parcels the value of the then existing improvements thereon, as estimated by an appraiser, who shall be a State of California certified general real estate appraiser selected and employed by the District, in an appraisal performed within one hundred twenty (120) days preceding the date of such determination based upon a methodology of valuation consistent with the City’s policy for appraisals for property in community facilities districts, provided that a mass appraisal methodology may be applied when valuing Developed Property; or (ii) the full cash value of any or all of such parcels of Developed Property, including with respect to such parcels the value of the improvements thereon as set forth on the last equalized assessment roll of the County Assessor of the County of San Mateo.

“Value of District Property” means for all parcels of property in the District which are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, either (i) the fair market value, as of the date of the appraisal provided for below of such parcels, including with respect to such parcels the value of the then existing improvements thereon, as estimated by an appraiser, who shall be a State of California certified general real estate appraiser selected and employed by the District, in an appraisal performed within one hundred twenty (120) days preceding the date of such determination based

upon a methodology of valuation consistent with the City's policy for appraisals, provided that a mass appraisal methodology may be applied when valuing Developed Property; or (ii) the full cash value of any or all of such parcels, including with respect to such parcels the value of the improvements thereon, as set forth on the last equalized assessment roll of the County Assessor of the County of San Mateo.

"Value of Undeveloped Property" means for all parcels of Undeveloped Property which are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, either (i) the fair market value, as of the date of the appraisal provided for below of such parcels of Undeveloped Property, including with respect to such non-delinquent parcels the value of the then existing improvements thereon, as estimated by an appraiser, who shall be a State of California certified general real estate appraiser selected and employed by the District, in an appraisal performed within one hundred twenty (120) days preceding the date of such determination based upon a methodology of valuation consistent with the City's policy for appraisals and in the case of the property owned by a developer in a manner consistent with the Appraisal, or (ii) the full cash value of any or all of such parcels of Undeveloped Property, including with respect to such parcels the value of the improvements thereon, as set forth on the last equalized assessment roll of the County Assessor of the County of San Mateo.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds.

(a) The Trustee has established the following funds and accounts:

(1) The City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account (in which there shall be established the Capitalized Interest Subaccount), a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expenses Account).

(2) The City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) Rebate Fund (the "Rebate Fund") (in which there shall be established a Rebate Account and an Alternative Penalty Account).

(3) The City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) Acquisition and Construction Fund (the "Acquisition and Construction Fund") (in which there shall be established a Costs of Issuance Account and a Project Account).

(4) The City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Trustee and the Trustee shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of the Indenture and shall disburse investment earnings thereon in accordance with the provisions of the Indenture.

In connection with the issuance of any Parity Bonds, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

Deposits to and Disbursements from Special Tax Fund.

(a) Except for the portion of any Prepayment to be deposited to the Redemption Account or Project Account as specified in a Certificate of an Authorized Representative, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) the Administrative Expenses Account of the Special Tax Fund;
- (2) the Interest Account of the Special Tax Fund;
- (3) the Principal Account of the Special Tax Fund;
- (4) the Redemption Account of the Special Tax Fund;
- (5) the Reserve Account of the Special Tax Fund;
- (6) the Rebate Fund; and
- (7) the Surplus Fund.

(b) At maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for, any amounts owed to the Trustee have been paid in full, and any required deposits to the Rebate Fund have been made, moneys in the Special Tax Fund and any accounts in the Indenture may be used by the District for any lawful purpose.

Administrative Expenses Account of the Special Tax Fund. The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expenses Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account, the Principal Account, the Rebate Fund Account and the Reserve Account an amount, together with any amounts already on deposit in the Indenture, that is sufficient to pay the interest and principal and the redemption price on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expenses Account to the extent reasonably determined by an Authorized Representative of the District to be necessary to pay expenses to collect delinquent Special Taxes. Moneys in the Administrative Expenses Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and shall be disbursed as directed in a Certificate of an Authorized Representative of the District.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by the Indenture for a Bond Year, at least one Business Day prior to each March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account (including the Capitalized Interest Subaccount) or the Principal Account from the proceeds of the sale of an issue of the Bonds, any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made in respect of the amount so deposited; and provided,

further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2023, shall equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

Redemption Account of the Special Tax Fund.

(a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expenses Account, the Interest Account and the Principal Account of the Special Tax Fund as required by the Indenture, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account, if funded, pursuant to the Indenture. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in the Indenture, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expenses Account, the Interest Account and the Principal Account of the Special Tax Fund and to the Redemption Account for Sinking Fund Payments then due pursuant to the preceding paragraph, and in accordance with the District's election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expenses Account in the Indenture) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(c) Prepayments deposited to the Redemption Account shall be applied on the redemption date established pursuant to the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments.

(d) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the Indenture. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may

in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Indenture, as applicable, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Reserve Account of the Special Tax Fund. There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. Amounts in the Reserve Account shall be applied as follows:

(a) Moneys in the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers to the Administrative Expenses Account, the Interest Account, the Principal Account and the Redemption Account, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expenses Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District shall include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with an optional or extraordinary redemption of Bonds or Parity Bonds, or a partial defeasance of Bonds or Parity Bonds in accordance with any Supplemental Indenture, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a Certificate of an Authorized Representative of the District the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds, or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this section shall be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and transferred to the Project Account of the Acquisition

and Construction Fund until the receipt of a Certificate of an Authorized Representative of the District stating that all Project Costs, required or expected to be funded pursuant to the Acquisition Agreement have been funded or amounts in the Project Account are sufficient to fund all remaining Project Costs and thereafter to the Interest Account of the Special Tax Fund.

Rebate Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund and shall establish a separate Rebate Account and Alternate Penalty Account in the Indenture. All money at any time deposited in the Rebate Account or the Alternate Penalty Account of the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury, except as provided in the Indenture. A separate subaccount of the Rebate Account and the Alternate Penalty Account shall be established for the Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds shall be governed by the Indenture and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and any Parity Bonds will not be adversely affected if such requirements are not satisfied.

Surplus Fund. After making the transfers required by the Indenture, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date it has received a Certificate of an Authorized Representative of the District directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year or the following Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expenses Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expenses Account of the Special Tax Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative of the District and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Acquisition and Construction Fund.

(a) The moneys in the Costs of Issuance Account shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District, and any balance therein not needed to pay Costs of Issuance as determined by the District shall be transferred by the Trustee to the Project Account as directed in writing by an Authorized Representative of the District. Following such transfer to the Project Account, the

Costs of Issuance Account shall be closed. Each such Certificate of an Authorized Representative of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) The moneys in the Project Account of the Acquisition and Construction Fund shall be applied exclusively to pay the Project Costs. Amounts for Project Costs shall be disbursed by the Trustee from the Project Account of the Acquisition and Construction Fund as specified in a Request for Disbursement of Project Costs which must be submitted in connection with each requested disbursement. Each such Request for Disbursement of Project Costs shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(c) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund is no longer needed to pay Project Costs, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund to the Principal Account or Redemption Account of the Special Tax Fund, as directed in the Certificate.

Investments. Moneys held in any of the Funds, Accounts and Subaccounts under the Indenture shall be invested at the written direction of an Authorized Representative of the District filed with the Trustee at least two business days in advance of the making of such investment, in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments shall be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount shall be applied as follows: (i) investment earnings on all amounts deposited in the Acquisition and Construction Fund, the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) shall be deposited in those respective Funds and Accounts, and (ii) investment earnings on all amounts deposited in the Reserve Account shall be deposited therein and applied as set forth in the Indenture. Moneys in the Funds, Accounts and Subaccounts held under the Indenture may be invested by the Trustee as directed in writing by an Authorized Representative of the District, from time to time, in Authorized Investments subject to the following restrictions under regulations shall be the responsibility of the District:

(a) Moneys in the Acquisition and Construction Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund. Notwithstanding anything in the Indenture to the contrary, amounts in the Acquisition and Construction Fund three years after the Delivery Date for the Bonds and the proceeds of each issue of Parity Bonds issued on a tax-exempt basis which are remaining on deposit in the Acquisition and Construction Fund on the date which is three years following the date of issuance of such issue of Parity Bonds shall be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds from which such proceeds were derived, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes from being included in gross income for federal income tax purposes.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(c) Monies in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an Investment Agreement to the later of the final maturity of the Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds shall mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds, as applicable.

(d) Moneys in the Rebate Fund shall be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government or in Authorized Investments of the type described in clause (7) of the definition thereof.

(e) In the absence of written investment directions from the District, the Trustee shall hold such funds uninvested.

COVENANTS AND WARRANTY

Warranty. The District shall preserve and protect the security pledged under the Indenture for the payment of the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the payment of the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged under the Indenture are available therefor, and that the payments into the Funds and Accounts created under the Indenture will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued under the Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture shall prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

Levy of Special Tax. Beginning in Fiscal Year 2022-23 and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, the legislative body of the District covenants to levy the Special

Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund deemed available for such purpose, to pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and diligently pursue such foreclosure proceedings to completion or the payment of the delinquent amounts; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as: (i) the total delinquency of Special Taxes for such Fiscal Year is less than 5% of the total Special Taxes levied in such Fiscal Year; provided further, that the District shall not be obligated to enforce the lien of any delinquent installment of the Special Taxes for any Fiscal Year in which the District shall have received one hundred percent (100%) of the amount of such installment from the County pursuant to the Teeter Plan established by the County pursuant to California Revenue and Taxation Code Sections 4701 et seq.; and (ii) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account of the Special Tax Fund at the Reserve Requirement or to avoid a default in payment on the Bonds and any Parity Bonds.

The District covenants that it will deposit the net proceeds of any foreclosure of delinquent Special Taxes in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds, and to bring the amount on deposit in the Reserve Account up to the Reserve Requirement.

Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expenses Account as set forth in the Indenture), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing contained in the Indenture shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

- (1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other monies or property which would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "private activity bonds" within the meaning of Section 141 of the Code;

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any applicable Parity Bonds; and

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

(7) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis.

(8) Rebate. The District shall comply with the Indenture.

(9) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation (“SYCR”), where such opinion is required in connection with a change or amendment to the Indenture or the procedures set forth in the Tax Certificate, it will obtain an opinion substantially to the effect originally delivered by SYCR that interest on the Bonds is excluded from gross income for federal income tax purposes.

Reduction of Maximum Special Taxes. The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in northern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts, and to maintain reserve funds established therefor. For this reason, the District determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property not then delinquent on the payment of Special Taxes in

each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year.

Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

Limitation on Right to Tender Bonds. The District covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

Continuing Disclosure. The District covenants to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15(c)2 12 adopted by the Securities and Exchange Commission.

Further Assurances. The District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in the Indenture.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued under the Indenture, and to add such other terms,

conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding;

(e) to modify, alter or amend the rate and method of apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding and estimated Administrative Expenses as of the date of such amendment; or

(f) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners.

The Trustee is not obligated to enter into any Supplemental Indenture pursuant to the Indenture which modifies any of the rights or obligations of the Trustee without its consent.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described in the Indenture, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond, or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District shall desire to adopt a Supplemental Indenture, which pursuant to the terms of this section shall require the consent of the Bondowners, the District shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination. Upon request of the Trustee, the District shall specify in a certificate to the Trustee those Bonds and Parity Bonds to be disregarded pursuant to this section and the Trustee may conclusively rely on such certificate.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of this section, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments. Prior to its execution of a supplemental agreement, the Trustee is entitled to receive, at the expense of the District, an opinion of counsel stating that the execution of such amendment is authorized or permitted under the Indenture.

TRUSTEE

Trustee. The Bank of New York Mellon Trust Company, N.A. shall be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee thereunder and to allocate, use and apply the same as provided in the Indenture. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as prudent persons would exercise or use under the circumstances in the conduct of their own affairs.

Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee 30 days prior written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus (or whose related banks holding company has a combined capital and surplus) of at least \$50,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. If any bank, national banking association or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as set forth in the Indenture, the resigning Trustee or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Resignation of Trustee. The Trustee may at any time resign by giving 30 days prior written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events shall constitute an “event of default”:

- (a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same shall become due and payable; or
- (c) except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Trustee agrees to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under (a) or (b) above and within 30 days of the Trustee’s knowledge of an event of default under (c) above.

Remedies of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including:

- (a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the directors, officers and employees of the District, and to compel the District or any such directors, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;
- (b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or
- (c) By a suit in equity to require the District and its directors, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy conferred in the Indenture upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds and Parity Bonds shall be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing,

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing, and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of 25% in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Bonds and Parity Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds and Parity Bonds under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver. Nothing in the Indenture, or in the Bonds or the Parity Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds

and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes and other moneys pledged in the Indenture for such payment.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds and Parity Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond and Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond and Parity Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the District, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

DEFEASANCE AND PARITY BONDS

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to this section, the Trustee shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond shall be deemed to have been paid within the meaning expressed in the preceding paragraph if such Bond or Parity Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expenses Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expenses Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the federal tax covenants of the District contained in the Indenture or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under (b) or (c) above, there shall be provided to the District and the Trustee a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with this section, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account in the Indenture) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding or for other purposes of the District in a principal amount not to exceed \$85,315,000. Parity Bonds may be issued subject to the following additional specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

(1) the purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including payment of all costs and the funding of all reserves incidental to or connected with such Parity Bonds;

(2) the authorized principal amount of such Parity Bonds;

(3) the Interest Payment Dates and the maturity date or dates of such Parity Bonds; provided that (i) Interest Payment Dates shall fall on March 1 and September 1 and each maturity date shall fall on September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) the denominations and method of numbering of such Parity Bonds;

(6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount in the Indenture to the Reserve Requirement;

(8) the form of such Parity Bonds; and

(9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The Trustee shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the Delivery Date of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(1) a certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) a written request of the District as to the delivery of such Parity Bonds;

(3) an opinion of Bond Counsel and/or general counsel to the District to the effect that (a) the District has the right and power under the Act to authorize, execute and deliver the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully authorized, executed and delivered by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and

(c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(5) where the Parity Bonds are issued to refund the Bonds or other Parity Bonds, a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds;

(6) where the Parity Bonds are being issued other than to refund the Bonds or other Parity Bonds, a Certificate of the Special Tax Administrator certifying that (i) the Maximum Special Taxes that may be levied in each Fiscal Year is not less than 110% of the Annual Debt Service in the Bond Year that begins in such Fiscal Year, plus estimated Administrative Expenses; (ii) the Value of District Property is not less than ten (10) times the sum of Direct Debt for District Property plus Overlapping Debt allocable to all property in the District subject to the Special Tax; and (iii) the Value of Undeveloped Property is at least five (5) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property. For purposes of the foregoing Certificate of Special Tax Administrator, all calculations shall consider the Parity Bonds proposed to be issued to be Outstanding; and

(7) such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

MISCELLANEOUS

Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption shall be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose shall be, cancelled forthwith and shall not be reissued.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, shall be repaid by the Trustee to the District (without liability for interest), as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Bonds or Parity Bonds;

provided, however, that, before being required to make any such payment to the District, the Trustee at the expense of the District, shall cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract. The provisions of the Indenture shall constitute a contract between the District and the Bondowners and the provisions of the Indenture shall be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds the Indenture shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Indenture shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged under the Indenture.

Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds or any Parity Bonds the rights and benefits provided in the Indenture.

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued pursuant hereto shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

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APPENDIX F

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) dated as of April 1, 2022 is executed and delivered by City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services), City of South San Francisco, County of San Mateo, State of California (the “District”) in connection with the issuance and delivery by the District of its \$19,685,000 Special Tax Bonds, Series 2022 (the “Bonds”). The Bonds are being issued pursuant to a Resolution of Issuance adopted on March 23, 2022, by the City Council of the City of South San Francisco, acting as the legislative body of the District, and the Bond Indenture, dated as of April 1, 2022 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee. The District covenants as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture and the RMA (as defined in the Indenture), which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

“City” shall mean the City of South San Francisco, County of San Mateo, California.

“Disclosure Representative” shall mean the Director of Finance of the City, or his or her designee, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, DTA, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the then current Dissemination Agent a written acceptance of such designation.

“District” shall mean City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services), City of South San Francisco, County of San Mateo, State of California.

“EMMA” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future system of the MSRB.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean that certain Official Statement for the Bonds dated April 6, 2022.

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated.

“Rate and Method of Apportionment” shall mean that certain Rate and Method of Apportionment of Special Tax approved pursuant to the Resolution of Formation.

“Resolution of Formation” shall mean Resolution No. 53-2021 adopted by the City Council pursuant to which it formed the District.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A. or such other entity appointed by the District pursuant to the Indenture to act as the trustee under the Indenture.

Section 3. Provision of Annual Reports.

(a) Not later than March 31 of each year commencing March 31, 2023, the District shall, or shall cause the Dissemination Agent to provide to EMMA and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is other than the District, then not later than 15 business days prior to the date referred to in the prior sentence hereof, the District shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District, if any exist, may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. If by fifteen (15) Business Days prior to the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is other than the District and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the

Dissemination Agent shall send, in a timely manner, a notice to EMMA, in the form required by EMMA. If the District acts as its own Dissemination Agent, it shall file each report with EMMA no later than the date specified in subsection (a) for filing an Annual Report, or if it is unable to do so, the District shall file a notice with EMMA to the effect that it has failed to file the Annual Report by that date.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the repository if other than the MSRB through EMMA; and

(ii) promptly after receipt of the Annual Report, file the Annual Report with EMMA and file a report with the District certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the District for the prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements, if any are prepared, are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. If financial information relating to the District is included in the City's comprehensive annual financial report, the City's comprehensive annual financial report shall be filed.

(b) Financial and Operating Data. Each Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of the Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund, account and subaccount under the Indenture as of the September 2 preceding the filing of the Annual Report;

(iii) the aggregate assessed valuation of the Taxable Property within the District for the current fiscal year;

(iv) any changes to the RMA approved or submitted to the qualified electors for approval prior to the filing of the Annual Report;

(v) a table setting forth the annual Special Tax delinquency rate within the District at June 30 of each fiscal year for which a delinquency exists, listing for each fiscal year, the total Special Tax levy, the amount delinquent and the percent delinquent;

(vi) an update of the value-to-lien of the property within the District based on the assessed value and the Special Tax levy for the then current fiscal year, which update may be provided in a form similar to Table 1 in the Official Statement; and

(vii) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes within the District;

(x) the principal amount of any Parity Bonds issued during the Fiscal Year to which the Annual Report pertains, and if Parity Bonds have been so issued, an update to the debt service table under the heading “THE BONDS –Debt Service Schedule” in the Official Statement that includes the debt service on the outstanding Bonds and such Parity Bonds for the remaining years that the Bonds are scheduled to remain outstanding;

(xii) a statement as to whether the District participates in the Teeter Plan (as defined in the Official Statement); and

(xiii) the most recent annual financial information to be provided to the California Debt and Investment Advisory Commission pursuant to Section 53359.5(b) of the California Government Code and the most recent annual financial information required to be provided pursuant to Sections 8855(k)(1), 50075.3 and 53411 of the California Government Code.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause the Dissemination Agent to give, notice to EMMA in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
6. defeasances;
7. tender offers;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has

assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Additionally, the District shall give or cause the Dissemination Agent to give notice to EMMA in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Bonds, if material:

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
2. appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent;
3. nonpayment related defaults;
4. modifications to the rights of Bondholders;
5. bond calls;
6. release, substitution or sale of property securing repayment of the Bonds; and
7. incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

(c) In the event that the District's fiscal year changes, the District shall report or shall instruct the Dissemination Agent to report such change in the same manner and to the same parties as Listed Events would be reported pursuant to this Section.

(d) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District, and the Dissemination Agent, if other than the District, shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the District and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the District, shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. If at any time there is not any

other designated Dissemination Agent, the District shall be the Dissemination Agent. The initial Dissemination Agent shall be DTA, Inc. The Dissemination Agent may resign: (i) by providing thirty (30) days written notice to the District, and (ii) upon appointment of a new Dissemination Agent hereunder.

Section 8. Amendment; Waiver.

(a) This Disclosure Certificate may be amended by the District, without the consent of the Owners, and any provision of this Disclosure Certificate may be waived, if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the District or the type of business conducted thereby, (2) the undertakings in this Disclosure Certificate as so amended or waived would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (3) the amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners or (ii) does not, in the determination of the District, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

(b) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and

liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent shall be paid (i) compensation by the District for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District pursuant to this Disclosure Certificate. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

District: City of South San Francisco Community Facilities District No.
2021-01 (Public Facilities and Services)
c/o City of South San Francisco
400 Grand Avenue
South San Francisco, CA 94080
Attn: Director of Finance

Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, Suite 3700
San Francisco, CA 94014
Attn: Eileen Gallagher

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's business shall be the successor Dissemination Agent without the filing of any paper or any further act.

This Disclosure Certificate is executed as of the date and year first set forth above.

CITY OF SOUTH SAN FRANCISCO COMMUNITY
FACILITIES DISTRICT NO. 2021-01 (PUBLIC
FACILITIES AND SERVICES), CITY OF SOUTH SAN
FRANCISCO, COUNTY OF SAN MATEO, STATE OF
CALIFORNIA

By: _____
Disclosure Representative

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APPENDIX G

FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

This Developer Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of April 1, 2022, is executed and delivered by Kilroy Realty, L.P. (the “**Developer**”), in connection with the issuance by the City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) (the “**District**”) of the City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) Special Tax Bonds (Oyster Point), Series 2022 (the “**Bonds**”). The Bonds are being issued pursuant to a Bond Indenture, dated as of April 1, 2022 (the “**Indenture**”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee.

The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the Bondowners and the Beneficial Owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“Affiliate” means with respect to the Developer (i) any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Developer, and (ii) for whom information, including financial information or operating data, concerning such Person referenced in clause (i) is material to an evaluation of the Bonds. For purposes hereof, “control” means the power to exercise a controlling influence over the management or policies of the Developer, unless such power is solely the result of an official position with the Developer. For purposes of this Disclosure Certificate, the following entities shall be considered Affiliates of the Developer: (i) Kilroy Realty TRS, Inc., (ii) KR Oyster Point Developer, LLC., (iii) KR Oyster Point I; (iv) KR Oyster Point II, LLC; (v) KR Oyster Point III, LLC, and (vi) KR Crescent Beach, LLC.

“Assumption Agreement” shall mean, in connection with the transfer of a Parcel to a transferee, a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Certificate with respect to the Parcel transferred.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Bondowners” shall mean the owner of any of the Bonds.

“Dissemination Agent” shall mean DTA, or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the District a written acceptance of such designation.

“District” shall mean the City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services).

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement, dated April 6, 2022, relating to the Bonds.

“Parcel” shall mean parcels of Taxable Property within the District.

“Participating Underwriter” shall mean the original underwriter of the Bonds, being Stifel, Nicolaus & Company, Incorporated.

“Person” shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

“Property” means the real property within the boundaries of the District that is owned by the Developer or any Affiliate; provided that the term “Property” shall not include any Parcel for which the Developer has terminated its obligations under this Disclosure Certificate with respect to such Parcel pursuant to Section 6 herein.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“RMA” means the Rate and Method of Apportionment of Special Tax for the District referred to in the Resolution of Formation and approved by the qualified electors of the District at the March 10, 2021 election, as originally the effect or as it may be modified.

“Semiannual Report” shall mean any report to be provided by the Developer on or prior to February 15 and August 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Developer shall, or shall cause the Dissemination Agent to, not later than February 15 and August 15 of each year, commencing August 15, 2022, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, February 15 or August 15 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Developer shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by

the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice of such failure to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Developer (if the Dissemination Agent is other than the Developer), the District, and the Participating Underwriter certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

SECTION 4. Content of the Semiannual Reports.

(a) Each Semiannual Report shall contain or include by reference the information which is available as of each December 31st and June 30th for the applicable February 15 or August 15 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the status of infrastructure supporting the development in the District as described under the caption "OYSTER POINT AND THE DISTRICT— Future Infrastructure" in the Official Statement.

2. A description of any material changes in the development plan and/or financing plan for the District as described in the Official Statement under the caption "OYSTER POINT AND THE DISTRICT."

3. Any sale of Taxable Property within the District to an unaffiliated entity of the Developer since the most recent Semiannual Report.

4. An update to the following table with respect to the property in the District since the date of the Official Statement or the most recent Semiannual Report.

<i>Phase</i>	<i>Building</i>	<i>Date Final Map Recorded</i>	<i>Date Building Permit Received</i>	<i>Date Certificate of Occupancy Received⁽¹⁾</i>	<i>Percentage of Non-Residential Floor Area Leased⁽¹⁾ (sq. ft.)</i>

⁽¹⁾ As determined in accordance with the RMA.

5. Any major legislative, administrative and judicial challenges known to the Developer that materially adversely affects the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

SECTION 5. Reporting of Significant Events.

(a) Until the Developer's obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material, under clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any real property taxes, including, without limitation, Special Taxes, levied on the Property owned by the Developer or any Affiliate.

2. Damage to or destruction of any of the improvements within the District which has a material adverse effect on the value or continued development of the Property.

3. Material default, which includes, payment default, by the Developer or any Affiliate on any loan secured by all or any portion of the Property, including construction or permanent financing, if any.

4. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts.

5. The filing of any lawsuit against the Developer or any Affiliate which, in the reasonable judgment of the Developer, will adversely affect the completion of the development of the Property as then contemplated by the Developer, or litigation which if decided against the Developer or any Affiliate, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Developer) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the District and the Participating Underwriter, or (ii) file a notice of such occurrence with the Repository, with a copy to the District, the Participating Underwriter, and the Dissemination Agent (if other than the Developer).

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Certificate shall terminate upon the earlier of following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds;

(b) the Developer provides a certificate to the District that: (i) no additional bonds or obligations secured by Special Taxes in the District will be issued to finance additional public improvements and (ii) Net Taxes from buildings (for which certificates of occupancy have been issued) that have executed leases with tenants for at least 85% of more of the Non-Residential Floor Area provide not less than 110% of Annual Debt Service;

(c) 85% or more of the Non-Residential Floor Area of the planned buildings within the District are subject to executed leases with tenants; or

(d) the Developer and its Affiliates no longer owns the Property within the District; provided, however, that if the obligations under this Disclosure Certificate has not terminated at the time the Developer and/or its Affiliates transfer such Property, the Developer shall cause the transferee to enter an Assumption Agreement.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

SECTION 7. Dissemination. The Developer may from time to time, engage a successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Developer, the District and the Participating Underwriter, and (ii) upon appointment of a new Dissemination Agent hereunder. The Developer is serving as the initial Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer, or the type of business conducted;

(b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District and the Participating Underwriter, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(c) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance. No person shall have any right to commence any action against the Developer seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Developer as constituting the Semiannual Report required of the Developer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Reporting Obligation of Developer's Transferees. If the Developer transfers a Parcel to another Person that is not an Affiliate of the Developer, then the Developer shall, in connection with the transfer of such a Parcel to another Person that is not an Affiliate of the Developer, cause such transferee to enter into an Assumption Agreement with respect to the Parcel transferred; provided that such transferee's obligations under such Assumption Agreement shall terminate upon the same conditions as set forth in Section 6 herein but with respect to the Parcel transferred. In clarification of the foregoing, the Developer shall not have any obligation to require a transferee execute an Assumption Agreement (i) for any Parcel that is leased by an Affiliate.

SECTION 13. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. Developer as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the City of South San Francisco or the District.

SECTION 15. Notices. Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

To Developer: c/o Kilroy Realty Corporation
100 First Street, Suite 250
San Francisco, California 94105
Attn: Jonas Vass, SVP Development

With a copy to: Kilroy Realty Corporation
12200 W. Olympic Blvd., Suite 200
Los Angeles, California 90064
Attn: Legal Department

Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Municipal Bond Division
Email: egallagher@stifel.com

District: City of South San Francisco
400 Grand Avenue
South San Francisco, CA 94080
Attention: Finance Director
Email: Jason.wong@ssf.net

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the District, the Dissemination Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Developer shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Developer and the District, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

KILROY REALTY, L.P.,
a Delaware limited partnership

By: Kilroy Realty Corporation,
a Maryland corporation,
its general partner

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

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APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

