

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2018****NEW ISSUE–BOOK-ENTRY ONLY****NO RATING**

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

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**CITY OF STOCKTON  
COMMUNITY FACILITIES DISTRICT NO. 2018-1  
(ARCH ROAD/NEWCASTLE ROAD)  
SPECIAL TAX BONDS, SERIES 2018**

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

The City of Stockton Communities Facilities District No. 2018-1 (Arch Road/Newcastle Road) Special Tax Bonds, Series 2018 (the “Bonds”) are being issued by the City of Stockton (the “City”) on behalf of the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) (the “District”) to: (i) provide funds for financing the acquisition of certain capital improvements serving the District; (ii) fund a portion of the interest due on the Bonds; (iii) fund a bond reserve fund; and (iv) pay certain costs of issuance of the Bonds.

The Bonds are being issued pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code) (the “Act”), a resolution of the City adopted by the City Council on June 19, 2018, and an Indenture dated as of \_\_\_\_\_, 2018 (the “Indenture”) by and between the City and Wells Fargo Bank, N.A., as trustee (the “Trustee”). The Bonds are payable from the proceeds of an annual Special Tax, as defined herein, levied and collected from parcels within the District. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT–The Special Tax.”

The Bonds are secured by and payable from a special tax levied annually on Taxable Property (defined herein) located within the District, including any such taxes that are prepaid and any penalties and interest collected on delinquent payments (the “Special Tax”) pursuant to a Rate, Method of Apportionment, and Manner of Collection of Special Tax (the “Special Tax Formula”) and from certain other funds pledged under the Indenture. The Special Tax is levied according to the Special Tax Formula approved by a vote of the sole qualified landowner elector within the District. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT,” and APPENDIX A–“RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION OF SPECIAL TAX.” The Special Tax is secured by a lien on certain real property within the District and does not constitute a personal indebtedness of the respective property owners.

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The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2019. Individual purchases will be in principal amounts of \$5,000 or in any integral multiple thereof. Payments of principal of and interest on the Bonds will be payable by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See APPENDIX G–“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**The Bonds are subject to optional and mandatory redemption as described herein. See “THE BONDS–Redemption.”**

THE BONDS ARE SPECIAL TAX OBLIGATIONS OF THE CITY, AND THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUM, IF ANY, ON THE BONDS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX) AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE INDENTURE. NEITHER THE GENERAL FUND, OR THE FULL FAITH AND CREDIT OR THE TAXING POWER OF THE CITY, THE COUNTY OF SAN JOAQUIN, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON, PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, ON THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**See “BONDHOLDERS’ RISKS AND INVESTMENT CONSIDERATIONS” for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.**

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**MATURITY SCHEDULE**  
(See inside cover page)

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This cover page contains information for quick reference only. It is *not* a complete summary of the Bonds. See also, “BOND OWNERS’ RISKS AND INVESTMENT CONSIDERATIONS.” Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Schiff Hardin LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the City by the City Attorney, and by Schiff Hardin LLP, California, as Disclosure Counsel, and for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the Bonds will be available in book-entry only form for delivery through the facilities of DTC on or about \_\_\_\_\_, 2018.

**BRANDIS TALLMAN LLC**

The date of this Official Statement is \_\_\_\_\_, 2018.

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\* Preliminary, subject to change.

**MATURITY SCHEDULE**

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**CITY OF STOCKTON  
COMMUNITY FACILITIES DISTRICT NO. 2018-1  
(ARCH ROAD/NEWCASTLE ROAD)  
SPECIAL TAX BONDS, SERIES 2018**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>No.<sup>†</sup></u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>No.<sup>†</sup></u>
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\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_–Yield: \_\_\_\_–Price: \_\_\_\_–CUSIP No.<sup>†</sup>

\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_–Yield: \_\_\_\_–Price: \_\_\_\_–CUSIP No.<sup>†</sup>

\* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers 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 information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor shall it be construed as a representation of such by the City or the Underwriter. The information and expressions of opinion stated 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 or the property owners in the District, or in the condition of the property in the District, since the date hereof.

The summaries and references to the Indenture, the Act and to other statutes and documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute and document. This Official Statement including any amendment or supplement hereto is intended to be deposited with one or more depositories.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “budgets,” “assumes” and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in social and economic conditions, federal, State and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the City and the District. These forward-looking statements speak only as of the date of this Official Statement. The City and the District disclaim any obligation or undertaking to release publicly any updates or revisions to such forward-looking statements contained herein if or when the expectations, events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement accordance with and as 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.

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities. The registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which these Bonds have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof. None of these states or any of their agencies have passed upon the merits of the securities or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

The City maintains a website. Unless specifically indicated otherwise, the information presented on that website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

**CITY OF STOCKTON**

**MAYOR AND CITY COUNCIL**

Michael Tubbs, *Mayor*

Elbert Holman, *Vice Mayor, Councilmember, District 1*

Dan Wright, *Councilmember, District 2*

Susan Lofthus, *Councilmember District 3*

Susan Lenz, *Councilmember, District 4*

Christina Fugazi, *Councilmember, District 5*

Jesus Andrade, *Councilmember, District 6*

**CHIEF CITY ADMINISTRATIVE PERSONNEL**

Kurt O. Wilson, *City Manager*

Matt Paulin, *Controller/Treasurer and Chief Financial Officer*

Gordon McKay, *Director of Public Works*

Bret Hunter, CMC, *City Clerk*

John Luebberke, *City Attorney*

**SPECIAL SERVICES**

Schiff Hardin LLP

San Francisco, California

***Bond Counsel and Disclosure Counsel***

Economic & Planning Systems

Sacramento, California

***Special Tax Consultant***

Seevers Jordan Ziegenmeyer

Rocklin, California

***Appraiser***

Del Rio Advisors, LLC

Irvine, California

***Municipal Advisor***

Wells Fargo Bank, N.A.

San Francisco, California

***Trustee***

Willdan Financial Services

Temecula, California

***District Administrator and Dissemination Agent***

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**CITY OF STOCKTON**  
**COMMUNITY FACILITIES DISTRICT NO. 2018-1**  
**(ARCH ROAD/NEWCASTLE ROAD)**  
**SPECIAL TAX BONDS, SERIES 2018**

**INTRODUCTION**

*The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Indenture (defined below).*

**Authorization; Purpose**

The purpose of this Official Statement, which includes the cover page and attached Appendices, is to provide certain information concerning the issuance of the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Special Tax Bonds, Series 2018 in the principal amount of \$ \_\_\_\_\_\* (the “Bonds”). The Bonds are being issued pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, constituting Sections 53311, *et seq.*, of the California Government Code (the “Act”), a resolution adopted on June 19, 2018 by the Council of the City of Stockton acting as the legislative body of the District (the “Resolution”) establishing the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) (the “District”) authorizing the levy of a special tax, and an Indenture dated as of \_\_\_\_\_ 1, 2018 (the “Indenture”) between the City and Wells Fargo Bank, N.A., as Trustee (the “Trustee”).

The Act was enacted by the California Legislature to provide an alternate method of financing certain public capital facilities and services, especially in developing areas of the State of California (the “State”). Once duly established by a city, county or other local agency, a community facilities district is a legally constituted governmental entity within definitely defined boundaries, with the governing board or legislative body of the local agency acting on its behalf. Subject to approval by a two-thirds vote of a district’s qualified electors and compliance with the 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.

On June 19, 2018 at a special election held pursuant to the Act, the sole qualified landowner elector in the District, authorized the issuance of special tax bonds in an amount not to exceed \$4,000,000 to finance the acquisition and construction of certain facilities (the “Facilities”), and approved the maximum special tax, the method of apportionment and manner of collection of the Special Tax to pay for the Facilities, including the payment of interest on and principal of the Bonds, the repayment of funds advanced to the District, the annual administration expenses of the City and the District in determining, apportioning, levying and collection of the Special Tax, and all authorized incidental expenses through Fiscal Year 2057-58. See APPENDIX A–“RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION OF SPECIAL TAX.”

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\* Preliminary, subject to change.

The proceeds received from the sale of Bonds will be used by the City on behalf of the District to: (i) provide funds to finance the construction and acquisition of the Facilities; (ii) fund capitalized interest through and including September 1, 20\_\_; (iii) fund a Bond Reserve Fund; and (iv) pay certain costs associated with the issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

### **Security and Source of Payment**

The Bonds will be secured by a pledge of Special Taxes received by the City (including any prepayment thereof and proceeds from foreclosure sales pursuant to the Indenture), the Bond Reserve Fund established under the Indenture and moneys in certain other funds and accounts established under the Indenture. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT.” The Bonds are payable from the Special Taxes to be included on the regular property tax bill sent to the record owners of properties within the District. The District has covenanted for the benefit of the owners of the Bonds, under certain circumstances described herein, to commence judicial foreclosure proceedings against property with delinquent Special Taxes and to diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT—Special Tax Authorization” and “—Covenant for Foreclosure.”

**THE BONDS ARE SPECIAL TAX OBLIGATIONS OF THE CITY, AND THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUM, IF ANY, ON THE BONDS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX) AND CERTAIN OTHER FUNDS AS PROVIDED IN THE INDENTURE. NEITHER THE GENERAL FUND OR THE FULL FAITH AND CREDIT OR THE TAXING POWER OF THE CITY, THE COUNTY OF SAN JOAQUIN COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUM, IF ANY, ON THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

**Special Tax.** Payments of interest on and principal of the Bonds will be made *solely* from the proceeds of the Special Tax authorized to be levied annually by the City on all property in the District that is not exempt from the Special Tax (collectively, the “Taxable Parcels”) pursuant to Special Tax Formula (defined herein) under and pursuant to the Act and the election held in the District on June 19, 2018. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT—Special Tax Authorization.”

**Bond Reserve Fund.** The Indenture establishes a Bond Reserve Fund as security for the Bonds, which is required to be funded in an amount equal to the Required Bond Reserve. Proceeds from the issuance of the Bonds in the amount of the Required Bond Reserve (defined herein) will be deposited into the Bond Reserve Fund. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT—Bond Reserve Fund.”

**Teeter Plan.** Certain counties in the State, including San Joaquin, offer a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County of San Joaquin (the “County”) may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County, if the rate of secured tax and assessment delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. The City participates in the Teeter Plan. Thus, so long as the County maintains its policy of collecting taxes pursuant

to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of its share of the annual property taxes levied without regard to actual collections. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT—Teeter Plan.”

### **The City**

The City is located in the County approximately 78 miles east of the San Francisco Bay Area, approximately 45 miles south of Sacramento, and approximately miles northwest of Sacramento. The City is the seat of government for the County. For additional information regarding the City, see APPENDIX C—“GENERAL, DEMOGRAPHIC, AND ECONOMIC INFORMATION RELATING TO THE CITY OF STOCKTON.”

### **The District**

The District is currently comprised of one parcel of approximately 59.5 acres located in the southern area of the City owned by PW Fund B Development, LLC, a California Limited Liability Company (the “Developer”). The Developer filed and the City has approved a tentative subdivision map to subdivide the property into four separate parcels, three of which (the “Taxable Parcels”) will be developed with light industrial/warehouse buildings, and the fourth of which will be developed with a flood detention basin that will be dedicated to the City. The parcel [to be] dedicated to the City [is/will be] classified under the Special Tax Formula as a “Tax-Exempt Parcel” and will not be subject to the Special Tax. See “THE DISTRICT” and “PROPERTY OWNER AND DEVELOPER WITHIN THE DISTRICT.”

### **Bondowners’ Risks**

There are risks inherent in the purchase of the Bonds. See “BONDOWNERS’ RISKS AND INVESTMENT CONSIDERATIONS” for a discussion of some of the special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

### **Continuing Disclosure**

The City and PW Fund B Development, LLC, a California Limited Liability Company, the landowner and developer of all of the property within the District (the “Developer”), on an individual basis, will each covenant for the benefit of Bondholders and Beneficial Owners to provide certain financial information and operating data relating to the District by not later than the March 31 following the end of the City’s Fiscal Year (which currently is June 30), commencing with the report due March 31, 2019 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Reports will be filed with each Nationally Recognized Municipal Securities Repository and with any then existing State Repository (collectively, the “Repositories”). The notices of material events will be filed with the Repositories. In addition, the Developer will agree to prepare certain semiannual reports commencing with the semiannual report due \_\_\_\_\_, 2019. The specific nature of the information to be contained in the Annual Reports, the notices of material events and the Developer’s semiannual reports is set forth in APPENDIX E—“FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

## **Additional Information**

Brief descriptions of the Bonds, the security for the Bonds, the Special Tax, the City, the District and the property in the District are included in this Official Statement together with summaries of certain provisions of the Bonds, the Indenture and certain other documents. Such descriptions do not purport to be comprehensive or definitive. Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture. All references herein to the Indenture and other documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture, copies of which are available prior to the issuance of the Bonds at the office of the Chief Financial Officer of the City, 425 North El Dorado Street, Stockton, California 95202; telephone: 209-937-8908; and thereafter at the office of the Trustee, Wells Fargo Bank, N.A., Corporate Trust Division, 333 Market Street, 18<sup>th</sup> Floor, San Francisco, California 94105; telephone: 415-801-8584.

## **THE BONDS**

### **Authority for Issuance**

The Bonds are issued pursuant to the Act, the Resolution and the Indenture.

### **Purpose of the Bonds**

Proceeds from the sale of the Bonds are being used to: (i) provide funds for financing the acquisition by the City of the Facilities; (ii) fund a portion of the interest due on the Bonds; (iii) fund a bond reserve fund; and (iv) pay certain costs of issuance associated with the issuance of the Bonds.

### **Description of the Bonds**

The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000, or any integral multiple thereof (not exceeding the principal amount maturing at any one time), and shall be dated the date of delivery thereof. The Bonds will be issued in book-entry only form and The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Bonds. So long as the Bonds are held in book-entry only form, principal of and interest on the Bonds will be paid directly to DTC for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC. See APPENDIX G—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.” The Bonds will mature on September 1, in the principal amounts and years, and bearing rates of interest, as shown on the cover of this Official Statement.

Interest on the Bonds will be payable semiannually on March 1 and September 1, of each year, commencing March 1, 2019 (each, an “Interest Payment Date”) and will be computed on the basis of a 360-day year consisting of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is registered on a day during the period from 16th day of the month next preceding an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on a day on or before the 15th day of month next preceding the first Interest Payment Date, in which event it shall bear interest from the date of delivery thereof; provided, that if at the time of authentication of any Bond interest is then in default on the Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available from payment.

Principal of the Bonds is payable at the corporate trust office of the Trustee in Los Angeles, California or such other place as the Trustee shall designate. Interest on the Bonds is payable by check mailed by first class mail to the registered owners as shown on the Trustee's books as of the fifteenth day of the calendar month next preceding each interest payment date, except that in the case of an owner of \$1,000,000 or more in principal amount of Bonds outstanding, payment will be made at the owner's option by wire transfer of immediately available funds to an account in a bank or trust company or savings bank that is located in the continental United States of America according to instructions provided by such owner to the Trustee and received no later than the 15 days before such Interest Payment Date.

### Redemption

***Optional Redemption.*** The Bonds maturing on or after September 1, 20\_\_ are subject to optional redemption by the City prior to their respective maturity dates, as a whole or in part on any date on or after September 1, 20\_\_, from funds derived by the City from any source (other than from prepayments of the Special Tax), at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption), together with accrued interest to the date fixed for redemption, as set forth below:

<u>Redemption Date</u>	<u>Redemption Price</u>
On or after March 1, 20__	___%
September 1, 20__ and thereafter	___

***Special Mandatory Redemption From Prepayments of the Special Tax.*** The Bonds are subject to special mandatory redemption by the City prior to their respective maturity dates, as a whole or in part on any Interest Payment Date from funds derived from prepayment of the Special Tax, at the following redemption prices (computed on the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date fixed for redemption, as set forth below.

<u>Redemption Date</u>	<u>Redemption Price</u>
On or prior to March 1, 20__	___%
September 1, 20__ to March 1, 20__	___
September 1, 20__ and thereafter	___

***Mandatory Sinking Account Redemption.*** The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption by the City prior to their maturity date in part on any September 1 on or after September 1, 20\_\_, at the principal amount thereof, without premium, together with accrued interest thereon to the date fixed for redemption, solely from sinking fund payments, as follows:

Term Bonds Maturing September 1, 20__	
Sinking Fund Payment Date (September 1)	Sinking Fund Payment
†	
_____	
† Maturity.	

The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption by the City prior to their maturity date in part on any September 1 on or after September 1, 20\_\_, at the principal amount thereof, without premium, together with accrued interest thereon to the date fixed for redemption, solely from sinking fund payments, as follows:

Term Bonds Maturing September 1, 20__	
Sinking Fund Payment Date (September 1)	Sinking Fund Payment
†	
_____	
† Maturity.	

***Selection of Bonds for Redemption.*** The Trustee shall select Bonds for redemption by lot in any manner which the Trustee shall, in its sole discretion, deem appropriate and fair. For the purposes of such selection, Bonds shall be deemed to be composed of \$5,000 portions and any such portion may be separately prepaid. The Trustee shall promptly notify the City in writing of the Bonds so selected for redemption. Selection by the Trustee of Bonds for redemption shall be final and conclusive.

***Notice of Redemption.*** Unless waived in writing by any Owner of Bonds to be redeemed, notice of any such redemption shall be given by the Trustee on behalf and at the expense of the City, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to such Owner of the Bond or Bonds to be prepaid at the address shown on the Bond Registration Books maintained by the Trustee; *provided, however*, that neither the

failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

All notices of redemption shall be dated and shall state: (i) the redemption date; (ii) the redemption price; (iii) if less than all Outstanding Bonds are to be redeemed, the Bond numbers (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (iv) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest with respect thereto shall cease to accrue from and after said date; (v) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Corporate Trust Office; (vi) the CUSIP numbers of all Bonds being prepaid; (vii) the original date of execution and delivery of the Bonds; (viii) the rate of interest payable on each Bond being redeemed; (ix) the maturity date of each Bond being prepaid; and (x) any other descriptive information needed to identify accurately the Bonds being redeemed.

### **Transfer and Exchange of Bonds**

The Indenture provides that the Trustee will keep at its principal corporate trust office books for the transfer and exchange of the Bonds, which books shall at all times during normal business hours with reasonable prior notice be open to inspection by the City or by any Owner. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange, and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the City nor the Trustee shall be required (i) to transfer or exchange any Bonds during the five-day period prior to the selection of any Bonds for redemption, or (ii) to transfer or exchange any Bond which has been selected for redemption.

The City and the Trustee may treat the registered Owner of any Bond, as shown on the registration books kept by the Trustee, as the absolute Owner of such Bond, whether such Bond shall be overdue or not, and neither the City nor the Trustee shall be affected by any notice or knowledge to the contrary.

## **SECURITY FOR THE BONDS AND SOURCE OF PAYMENT**

### **General**

The Bonds are authorized pursuant to the Act and are issued under a resolution of the City Council of the City, acting as the legislative body of the District, and the Indenture. The Act was enacted by the California Legislature to provide an alternate method of financing certain essential public capital facilities, services and development impact fees, especially in developing areas of the State. Once duly established, a community facilities district is a legally constituted governmental entity within definitely defined boundaries, with the governing board or legislative body of the local agency establishing the District acting on its behalf. Subject to approval by a two-thirds vote of qualified electors and compliance with the provisions of the Act, a legislative body of 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.

The Bonds constitute limited obligations of the District payment as to both principal and interest from the annual Special Tax to be levied by the City on land within the District, including proceeds from

the sale of property collected as result of foreclosure of the lien of the Special Taxes and certain funds and accounts held under the Indenture.

**THE BONDS ARE SPECIAL TAX OBLIGATIONS OF THE CITY, AND THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUM, IF ANY, ON THE BONDS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX) AND CERTAIN OTHER FUNDS AS PROVIDED IN THE INDENTURE. NEITHER THE GENERAL FUND OR THE FULL FAITH AND CREDIT OR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUM, IF ANY, ON THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

Except with respect to the Special Tax, neither the credit nor the taxing power of the District or the City is pledged for the payment of the principal of the Bonds, the interest thereon or redemption premium, if any, thereon, and no owner of the Bonds may compel the exercise of general taxing power by the District or the City or the forfeiture of any of their property. The principal of, interest on and redemption premium, if any, on the Bonds are not a debt of the District, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any of the District's property, or upon any of its income, receipts or revenues, except the amounts which are, under the Indenture and the Act, set aside for the payment of the Bonds and interest thereon. Neither the members of the legislative body of the District nor the City Council of the City nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Although the Special Tax will constitute a lien on property subject to taxation in the District, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of nonpayment by property owners is more fully described in "BONDOWNERS' RISKS AND INVESTMENT CONSIDERATIONS—Collection of the Special Tax."

### **Special Tax Authorization**

In accordance with the provisions of the Act, the City Council established the District on June 19, 2018 for the purpose of providing payment of certain development impact fees and for the financing of certain public capital facilities in and for the District. Pursuant to an election conducted pursuant to the Act, the eligible landowner electors within the District authorized the issuance of not to exceed \$4,000,000 principal amount of special tax bonds for the District for the purpose of financing such public facilities and the annual levy of the Special Tax in the District to be used for the purpose, among others, of paying the interest on, principal of and redemption premium, if any, on such Bonds. The Bonds are being issued pursuant to such authorization.

Pursuant to the Indenture, so long as any Bonds are outstanding, the City is required annually to levy the Special Tax against all taxable parcels in the District (the "Taxable Parcels") and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which

in any event will be sufficient to pay the interest on, and the principal of all Outstanding Bonds as they become due and payable, to restore the Bond Reserve Fund to the Required Bond Reserve, and to pay all Budgeted Expenses as they become due and payable.

### **Rate and Method of Apportionment of Special Tax**

The Special Tax is to be levied and collected against all Taxable Parcels in accordance with the rate and method of apportionment of Special Tax (the “Rate and Method of Apportionment”) for the District approved by the landowner electors within the District, which annually allocates the Special Tax required among the Taxable Parcels in the District based upon land uses. The total annual levy of the Special Tax is calculated to satisfy the annual debt service during the ensuing Fiscal Year, to pay the total budgeted cost of the District’s current expenses during the current Fiscal Year, and any sums required to satisfy delinquent debt service. A copy of the Rate and Method of Apportionment is set forth in APPENDIX A–“RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION OF SPECIAL TAX.”

The Rate and Method of Apportionment is used to allocate the amount of the Special Tax required among the Taxable Parcels subject to maximum annual tax rates (the “Maximum Tax”) that may be levied against each Taxable Parcel. The Rate and Method of Apportionment specifies the following Maximum Tax that may be imposed upon property within the District is as follows:

**Table 1**  
**City of Stockton**  
**Communities Facilities District No. 2018-1**  
**(Arch Road/Newcastle Road)**  
**Special Tax Bonds, Series 2018**

**Original Parcels and Maximum Annual Special Taxes – Base Year**

<b><u>Original Parcels</u></b>	<b><u>Acres</u></b>	<b><u>Maximum Annual Special Tax Rate/Acre<sup>(1)</sup></u></b>	<b><u>Maximum Annual Special Tax</u></b>
Large Lot 1	27.0	\$4,235	\$114,258.08
Large Lot 2	21.9	4,235	92,914.10
Large Lot 3	6.4	4,235	27,145.82
Large Lot 4 <sup>(2)</sup>	<u>4.2</u>	0	<u>0.00</u>
TOTALS	59.5		\$234,318.00

(1) The Maximum Annual Special Tax Rate and Maximum Annual Special Tax will not increase annually.

(2) This parcel will be developed with a flood detention basin and will be dedicated to the City.

Source: Economic & Planning Systems, Inc.

Pursuant to the Act, properties or entities of state, federal, or other local governments are exempt from the Special Tax except that property not otherwise exempt which is acquired by a public entity through a negotiated transaction, or by gift or demise, remains subject to the Special Tax. 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. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new tax under the Act or to alter the rate or method of apportionment of an existing tax under the Act. The Act prohibits the City Council from adopting a resolution to reduce the rate of the Special Tax or

terminate the levy of the Special Tax unless the City Council determines that the reduction or termination of the Special Tax “would not interfere with the timely retirement” of the Bonds. See “BONDOWNERS’ RISKS AND INVESTMENT CONSIDERATIONS—Exempt Properties.”

Although the Special Tax will constitute a lien on real property subject to taxation in the District, it does not constitute a personal indebtedness of the respective owners of such real property. There is no assurance that the owners will be financially able to pay the Special Tax or that they will pay such tax even though they may be financially able to do so. See “BONDOWNERS’ RISKS AND INVESTMENT CONSIDERATIONS—Collection of Special Tax.”

**The Bonds are not an obligation of the City, the State of California or any of its political subdivisions and neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged to the payment of the Bonds.**

### **Teeter Plan**

In 1949, the California Legislature enacted an alternative method for the distribution of secured *ad valorem* property taxes to local agencies. This method, commonly known as the Teeter Plan, is set forth in Sections 4701-4717 of Revenue and Taxation Code of the State of California. Upon adoption and implementation of the Teeter Plan 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. While a county benefits from the penalties associated with these delinquent taxes when they are paid, 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 a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Board of Supervisors of the County adopted the Teeter Plan and has elected to include 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 2/3 of the participating agencies 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 “BONDOWNERS’ RISKS AND INVESTMENT CONSIDERATIONS—Teeter Plan Termination.” The County has never discontinued the Teeter Plan with respect to any levying agency.

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 that 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.

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 protect the Owners of the Bonds from the risk of delinquencies in payment of the Special Tax.

The County Board of Supervisors (the "Board of Supervisors") approved implementation of the Teeter Plan in July 1993, both as to general and special taxes entered and collected on the secured tax roll. The District is included in the Teeter Plan.

No assurance can be given that the County will continue to include special taxes levied within community facilities districts in the Teeter Plan, and the County could decide to discontinue the inclusion of such special taxes in the Teeter Plan at any time, or to discontinue the Teeter Plan in its entirety.

### **Establishment of Reserve Fund**

The Indenture requires that the Bond Reserve Fund be maintained in the amount of the "Required Bond Reserve" which is defined to mean, as of any date of calculation, the least of: (i) 10% of the original principal amount of the Bonds, or (ii) the maximum annual interest and principal payments on the Bonds payable hereunder in the current or any future one-year period ending on September 1, or (iii) 125% of the average annual interest and principal payments on the Bonds payable hereunder in the current or any future one-year period ending on September 1, all as determined by the City under the Code and specified in writing to the Trustee.

Upon issuance of the Bonds, proceeds in the amount of \$\_\_\_\_\_ will be deposited in the Bond Reserve Fund established under the Indenture, which amount is equal to the Required Reserve.

***Use of Reserve Fund.*** Except as otherwise provided in the Indenture, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest, and any premium on, the Bonds or in accordance with the Indenture, for the purpose of redeeming Bonds from the Bond Fund.

***Transfer of Excess of Reserve Requirement.*** Whenever, on the Business Day before any Interest Payment Date, or on any other date at the request of the Chief Financial Officer, the amount in the Reserve Fund exceeds the Reserve Requirement, the Trustee shall provide written notice to the Chief Financial Officer of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with the Indenture.

***Transfer for Rebate Purposes.*** Amounts in the Reserve Fund shall be withdrawn, at the written request of the Chief Financial Officer, for purposes of making payment to the federal government to comply with the Indenture.

***Transfer When Balance Exceeds Outstanding Bonds.*** Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, in accordance with the Indenture, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond

Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City, to be used for any lawful purpose of the City.

***Transfer Upon Special Tax Prepayment.*** Whenever the Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Indenture, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the then outstanding principal amount of the Bonds) shall be transferred by the Trustee to the Bond Fund to be applied to the redemption of the Bonds pursuant to the Indenture; provided, however, that no such transfer shall be made that would cause the balance in the Reserve Fund to be less than the Reserve Requirement to be in effect following such redemption.

***Investment.*** Moneys in the Reserve Fund shall be invested in accordance with the Indenture. One Business Day before each Interest Payment Date, interest earnings and profits resulting from said investment shall be transferred by the Trustee to the Bond Fund to be used by the Trustee for the purposes of such fund, but any such transfer shall be made only to the extent that following such transfer the amount on deposit in the Reserve Fund equals the then Reserve Requirement.

### **Collection of Special Taxes; Special Tax Fund**

***Establishment of Special Tax Fund.*** Pursuant to the Indenture, there is established as a separate fund known as the Special Tax Fund to be held by the Chief Financial Officer of the City. The Chief Financial Officer shall deposit, as soon as practicable following receipt, all Special Tax Revenue received by the City, and any other amounts required by the Indenture, except as otherwise provided in the Indenture with respect to the portion of the Special Taxes levied for Expenses, collections of Special Tax delinquencies and Special Tax Prepayments (which will be deposited to the other funds under the Indenture. Moneys in the Special Tax Fund shall be held in Trust by the City for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided in the Indenture and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds and the City.

***Disbursements.*** From time to time as needed to pay the obligations of the District, but no later than the Business Day before each Interest Payment Date, the Chief Financial Officer shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Reserve Fund and the Special Tax Fund to the Bond Fund pursuant to the Indenture, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due to the Bonds on the next Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

On each September 1, commencing September 1, 20\_\_, following transfers to the Bond Fund and the Reserve Fund, if any, required on such date pursuant to the Indenture, any moneys remaining on deposit in the Special Tax Fund shall be withdrawn therefrom by the Chief Financial Officer and deposited to the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Community Facilities Fund, which fund is established in the treasury of the City (referred to in the Indenture as the "District General Fund"), to be used for any lawful purpose of the district in accordance with the Act.

***Investment.*** Moneys in the Special Tax Fund shall be invested in accordance with the Indenture. Interest earnings and profits resulting from investment of amounts in the Special Tax Fund shall be retained in the Special Tax Fund to be used for the purposes thereof.

## Covenant for Foreclosure

The Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Such judicial foreclosure action is not mandatory.

However, the City covenants that it will on or before January 1 and July 1 of each year review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax paid in the preceding six month period (without regard to the Teeter Plan).

***Individual Delinquencies.*** If the City determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$2,500 or more, then the City shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of such parcel within 45 days of such determination, and (if the delinquency remained uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination to the extent permissible under applicable law. Notwithstanding the foregoing, the City may defer such action if the amount in the Bond Reserve Fund is at least equal to the Required Bond Reserve.

***Aggregate Delinquencies.*** If the City determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, or (ii) there are 10 or fewer owners of real property within the District, determined by reference to the latest available secured property tax roll of the County, the City shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

If the City determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, or (ii) there are 10 or fewer owners of real property within the District, determined by reference to the latest available secured property tax roll of the County, the City shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

In the case of both individual and aggregate delinquencies the City is required thereafter to vigorously prosecute such actions to completion; and *provided further*, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California.

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 Bond Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. However, within the limits of the Special Tax, the City may adjust the Special Tax levied on Taxable Property in the District, subject

to the limitation on the Maximum 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 Bond Reserve Fund to an amount equal to the Required Bond Reserve for the Bonds and to pay all current Expenses for the District and pay for all current Services for the District. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property 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 “BONDOWNERS’ RISKS AND INVESTMENT CONSIDERATIONS–Maximum Special Tax.”

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 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.

#### **Limited Obligation; No Required Advances from Available Surplus Funds**

The Bonds are limited obligation special tax bonds under the Act. Notwithstanding any other provision of the Indenture, the City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in the Redemption Fund or the Bond Reserve Fund; provided, however, that nothing shall affect the right of the City under the Act to make advances to cure any deficiencies.

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In the event of delinquencies in Special Tax payments received by the City on behalf of the District, the estimated coverage ratios set forth in Table 3 below may not be achieved.

<b>Table 3</b>			
<b>Debt Service Coverage</b>			
<b><u>Year</u><sup>(1)</sup></b>	<b>A. <u>Maximum Annual Special Tax</u><sup>(2)</sup></b>	<b>B. <u>Debt Service</u></b>	<b><u>Coverage</u><sup>(3)</sup></b>

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the financing are set forth in the following table:

<b>Table 4</b>	
<b>Estimated Sources and Uses of Funds</b>	
	<b><u>Amount</u></b>
<b>Sources of Funds:</b>	
Principal Amount of the Bonds	
Less: Underwriter's Discount	
<b>TOTAL SOURCES</b>	
<b>Uses of Funds:</b>	
Deposit to Improvement Fund	
Deposit to Bond Reserve Fund	
Capitalized Interest <sup>(1)</sup>	
Costs of Issuance <sup>(2)</sup>	
<b>TOTAL USES</b>	
<sup>(1)</sup> Interest on the Bonds is capitalized through September 1, 20___. <sup>(2)</sup> Costs of Issuance include Bond Counsel fee, Disclosure Counsel, Municipal Advisor fees, Special Tax Consultant fees, Appraiser fee, Trustee fees, Trustee Counsel fees, printing costs and other miscellaneous costs of issuance.	

## THE DISTRICT

### General Location of the District

The District is a community facilities district organized by the City Council under the Act for the purpose of providing for the acquisition and construction of certain public improvements to serve property within the District. The City established the District pursuant to Resolution No. 2018-\_\_\_ adopted by the City Council of the City on June 19, 2018.

**Location.** The District is located in the southern portion of the City, east of State Highway 99. The City is generally located between Interstate 5 and State Highway 99. Interstate 5 is a major north-south freeway that provides access to Sacramento, Redding and Yreka to the north, and continues on into Oregon, Washington, and eventually Canada. To the south, Interstate 5 provides access to the metropolitan areas of Los Angeles and San Diego, before terminating at the Mexico border. State Highway 99 generally parallels Interstate 5, providing access to Sacramento, approximately 45 miles north, and south to Modesto, Merced, Turlock, Fresno and Bakersfield, before merging with Interstate 5 at the Grapevine.

The District is in proximity to South Airport Way, a four-lane thoroughfare that connects the downtown area of the City with its southern boundaries, before continuing on to Manteca.

See pages \_\_ and \_\_ for a boundary map of the District.

**Boundary Map**

**Boundary Map** (page 2)

## Development Plan

**General.** The District is currently comprised of one parcel representing an aggregate of 59.51 acres owned by PW Fund B Development, LLC, a California Limited Liability Company. See “PROPERTY OWNER AND DEVELOPER WITHIN THE DISTRICT.” The Property in the District is zoned as an Industrial, Limited District (“IL”) pursuant to the City Development Code. Property within this zoning district is appropriate for light manufacturing uses that may generate more nuisance impacts than acceptable in commercial zoning districts and whose operations are totally conducted indoors. Property zoned IL also include retail stores and ancillary office uses.

The Developer filed and the City has approved a tentative subdivision map to subdivide the parcel into four (Parcels 1, 2, 3, and 4). Parcels 1 – 3 will be developed for light industrial/warehouse uses and Parcel No. 4 will contain a flood detention basin that is expected to be dedicated to the City. The City has a policy for development within landowner-initiated community facilities districts that it will not approve final subdivision maps until district formation proceedings are concluded. As a result, a final map has yet to be recorded. Neither the City nor the Developer anticipate any delay in recordation of a final subdivision map upon the submission by the Developer to the City. Currently, the Developer intends to file the final subdivision map when construction commences on Parcel 2 or Parcel 3, which are currently undeveloped.

The following table summarizes the proposed subdivision of the parcel as represented on the tentative subdivision map.

<b>Table 5</b> <b>Summary of Land Use Within the District Based upon the Tentative Subdivision Map</b>				
<u>APN</u>	<u>Parcel</u>	<u>Zoning</u>	<u>Acres</u>	
			<u>Number</u>	<u>% of Total</u>
181-100-10	1	IL	26.98	45.34%
	2	IL	21.94	36.87
	3	IL	6.38	10.72
	4	IL	4.21	7.07
TOTAL			59.51	100.00%
Source: The Appraisal.				

**Status of Development.** As of the date of this Official Statement, an approximately 506,844 gross square foot, reinforced concrete frame building, with a 36-foot clear height and 95 truck doors is under construction on Parcel 1. It is expected that upon completion of construction in \_\_\_\_ 2018, the building on Parcel 1 will be leased to a single tenant and built-out to the specific needs of such tenant. Although currently the building is not pre-leased to a tenant, the Developer has been contacted by several interested parties that include national recognized companies. *[Update if leased prior to printing POS]*

Parcel 2 and Parcel 3 are currently undeveloped but are anticipated to be developed in conformity with the IL zoning. The Developer anticipates that development of these Parcels will commence following completion of construction on Parcel 1. *[Confirm]*

Construction of the flood detention basin on Parcel 4 is underway and is expected to be dedicated to the City in summer 2018. Under the Special Tax Formula, this parcel will be classified as a “Tax-Exempt Parcel.”

**Facilities.** Proceeds from the Bonds will be used to reimburse the Developer for moneys expended for a portion of the cost of the Facilities necessary for development within the District. The eligible Facilities consist generally of roadway improvements, including design, project management, grading and paving, joint trenches and underground utilities; curbs, gutters, and sidewalks; street lights; signalization; signs and striping; and related median and parkway landscaping; wastewater facilities, including sewer transmission lines and related wastewater system improvements; water facilities, including water distribution facilities including fire hydrants, and related water system improvements; pressure reducing stations, and flow meters; drainage and storm sewer improvements, including , but not limited to, pipelines and appurtenances; temporary drainage facilities; pump stations; flood detention basins; and drainage pretreatment facilities; and other incidental expenses related to the District as authorized by the Act.

Estimated Cost of the Facilities. The total estimated cost to construct all of the Facilities is approximately \$5.5 million, which exceeds the amount that will be available from the sale of the Bonds. The estimated costs of the Facilities are summarized below:

<u>Component</u>	<u>Cost</u>
Arch Road and Newcastle Road Construction	\$2,579,600
Traffic and Erosion Control	218,000
Utility Work	295,800
Flood Detention Basin	949,900
Inspection Design, Engineering, and Contingencies	<u>1,428,900</u>
TOTAL	\$5,472,200

Construction of the Facilities to be financed with the proceeds of the Bonds is complete. *[Confirm]* As required by the Acquisition Agreement (described below), the cost to complete the remaining Facilities, which is estimated to be approximately [\$2,252,000], will be paid by the Developer from sources other than proceeds of the Bonds. See “PROPERTY OWNER AND DEVELOPER WITHIN THE DISTRICT—Financing Sources.”

Construction and Acquisition of the Improvements. In connection with the issuance of the Bonds, the City and the Developer will enter into an Agreement to Construct and Acquire Public Facilities for Community Facilities District No. 2018-1 (Arch Road/Newcastle Road), dated as of \_\_\_\_ 1, 2018 (the “Acquisition Agreement”). The Acquisition Agreement provides that the Developer will construct and install, or cause to be constructed and installed all of the Facilities, and will convey them, together with all interests in real property necessary for the operation, maintenance and ownership of the Facilities, to the City or appropriate other public entity or utility. The Developer is responsible to pay for the cost of all Facilities not paid for with proceeds from the issuance of the Bonds. Upon completion of the Facilities (other than those Facilities, to be conveyed to other public entities or regulated public utilities pursuant to the Acquisition Agreement), and provided that the Facilities are constructed in accordance with the terms of the Acquisition Agreement, the City will accept and purchase such Facilities with proceeds from the issuance of the Bonds.

## **Environmental Matters**

**Flood Hazard.** The District lies within three different flood zones. The northwest corner of the District lies within Zone AO, which has flood depths of one to three feet and is within the 100-year floodplain. Parcel 4 is located within Zone AO as well as Zone X, which areas have a 0.2% annual chance of flood, a 1% chance of annual flood with a depth of one foot, and areas protected by levees from a 1% annual chance flood. The northern portion of Parcels 1, 2, and 3 are also located within Zone X, and the remainder of the District is located in Zone X, where the area is determined to be outside of the 0.2% annual chance floodplain.

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

The Developer will covenant for the benefit of the Bondholders and Beneficial Owners to provide certain information and operating data relating to development within the District on a semiannual basis and on an annual basis. See APPENDIX E–“FORMS OF CONTINUING DISCLOSURE CERTIFICATES–FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE.”

### **Topography**

The topography of the District is generally level, and located near agricultural and rural-residential developments.

See Table 1 under the caption “SECURITY AND SOURCES OF PAYMENT–Rate and Method of Apportionment of Special Tax” which sets forth the maximum Special Tax for each Taxable Parcel.

## **APPRAISAL OF PROPERTY WITHIN THE DISTRICT**

### **The Appraisal**

**General.** Seevers Jordan Ziegenmeyer, Rocklin, California (the “Appraiser”) prepared an Appraisal of Real Property of the District with an effective date of May 7, 2018 (the “Appraisal”). The Appraisal was prepared at the request of the City.

The Appraisal is set forth in APPENDIX B hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The complete Appraisal is on file with the City and is available for public inspection at the City offices at 425 N. El Dorado Street Stockton, California 95202 or from the Underwriter during the initial marketing period. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

**Value Estimates.** The estimate of the market value of the fee simple estate of the property in the District subject to the Special Tax (the “Subject Property”) was as of the date of its inspection for appraisal, May 7, 2018. The value estimate assumes the subdivision of the Subject Parcel into four separate parcels (three of which are developable and the fourth of which will contain a flood detention basin and will be dedicated to the City), issuance of the Bonds to acquire eligible Facilities, and that any transfer would reflect a cash transaction or terms considered to be equivalent to cash *less* the costs to complete the building and lease-up costs. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest, and assuming neither is under duress. The value estimate for the Subject Property as of the May 7, 2018 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and extraordinary assumptions set forth in the Appraisal, and based on the ownership of the property as of that date is as follows:

<u>Parcel</u>	<u>Value</u>
1	\$29,860,000

2	3,820,000
3	1,180,000

**Valuation Methodology.** The Appraiser considered three approaches to estimate the market value of the three Parcels comprising the Subject Property: 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 than 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.

**Assumptions and Limiting Conditions.** In considering the estimate of value evidenced by the Appraisal, the Appraisal is based upon a number of standard and extraordinary assumptions which affect the estimates as to value, and include some of the following. See APPENDIX B—"APPRAISAL REPORT" for a complete list of assumptions and limiting conditions.

It is assumed that there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the Subject Property. If, at some future date, items are discovered that are determined to have a detrimental impact on value, then the appraiser reserves the right to amend the opinion(s) of value stated in the Appraisal.

The values derived in the Appraisal are based on legal descriptions or title considerations provided by outside sources. Title to the property is assumed to be good and marketable. The information and data furnished by others to the Appraiser in preparation of the Appraisal is believed to be reliable, but the Appraiser provides no warranty for its accuracy.

The estimate of hypothetical market value in the Appraisal assumes the completion of the public infrastructure improvements to be financed by the Bonds. The financing provided through the Bonds will be used to reimburse the Developer for the costs of certain infrastructure improvements required for the Subject Property, as well as fund the installation of new public improvements. These improvements include-but are not limited to-roadways, drainage, water, utilities, concrete curbs, gutters and sidewalks, detention work, and other miscellaneous improvements. See "THE DISTRICT."

The Developer plans to subdivide APN 181-100-10 (approximately 59.5 gross acres) into four separate parcels, one of which will be developed with a desertion basin that will be dedicated to the City. Proceeds from the issuance of the Bonds will finance a portion of the Facilities. See "THE DISTRICT—

Development Plan–*Facilities*.” The Developer has received tentative map approval to legally subdivide the master parcel into the four individual parcels. The City is not opposed to the subdivision of this parcel. Currently, the Developer anticipates filing the final subdivision map with the City in [month], [year]. The hypothetical market value assumes completion of the public facilities to be financed by the District.

***[Projected Absorption Period.*** The Appraiser also estimated the marketing time that would be required for the disposition of the parcels in the Subject Property, based on the historical marketing times of a number of local sales, as well as current and projected economic conditions, the impacts of present market conditions, as well as anticipated changes in the market. After considering the development timeline and scope of the project, the Appraiser estimated all of the parcels in the Subject Property together could transfer within \_\_\_\_\_ to \_\_\_\_\_ months of exposure on the market. It is estimated that the individual subject parcels could transfer to individual buyers within approximately \_\_\_\_\_ months. This equates to an average exposure period of \_\_\_\_\_ months per parcel. See APPENDIX B–“APPRAISAL REPORT” for a more detailed discussion on the Absorption Analysis of the Subject Property.

No assurance can be given that the estimated absorption will be achieved or attained over an extended period of time; real estate is cyclical in nature, and it is impossible to accurately forecast and project specific demand over a projected absorption period. See “BONDOWNERS’ RISKS AND INVESTMENT CONSIDERATIONS–*[Property Values and Property Development]*.”]

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

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

For a description of certain risks that might affect the assumptions made in the Appraisal, see “BONDOWNERS’ RISKS AND INVESTMENT CONSIDERATIONS” herein.

### **Value to Special Tax Burden Ratios**

The Appraisal sets forth the estimated market value, subject to the Special Tax lien, of all Taxable Parcels within the District to be \$34,860,000 subject to the limiting conditions stated therein. See “–The Appraisal” and APPENDIX B–“APPRAISAL REPORT.” The principal amount of the Bonds is \$\_\_\_\_\_\* and property in the District is also subject to liens for overlapping direct indebtedness totaling \$\_\_\_\_\_ (see “–Overlapping Liens and Priority of Lien” below). Consequently, the estimated discounted market value, subject to the Special Tax lien, of the real property within the District, is approximately \_\_\_\_\_\* times the principal amount of the Bonds and \_\_\_\_\_\* times the principal amount of the Bonds and the amount of other overlapping debt.

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

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

### **Overlapping Liens and Priority of Lien**

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

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

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\* Preliminary, subject to change.

Private liens, such as deeds of trust securing loans obtained by the Developer, may be placed upon property in the District at any time. Under California law, the Special Tax has priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

Set forth below is a statement of direct and overlapping public bonded debt (the “Overlapping Debt Report”) prepared by California Municipal Statistics, Inc. as of June 1, 2018. The Overlapping Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Overlapping Debt Report is included for general informational purposes only. Neither the City nor the District makes any representation as to its completeness or accuracy.

The first column in the table names each public agency which has outstanding bonded debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the assessed value of the area common to the District and the other public agency (overlapping territory), as a percentage of the total assessed value of the other public agency. This percentage, multiplied by the total outstanding bonded debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency’s outstanding debt to property in the District subject to the Special Tax.

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**Table 6**  
**DIRECT AND OVERLAPPING DEBT STATEMENT**

2017-18 Local Secured Assessed Valuation: \$5,210,758

<u>Direct and Overlapping Tax and Assessment Debt:</u>	<u>% Applicable</u>	<u>Debt 6/1/18</u>
San Joaquin Delta Community College District General Obligation Bonds	0.007%	\$10,801
Manteca Unified School District General Obligation Bonds	0.039	61,359
<b>City of Stockton Community Facilities District No. 2018-1</b>	<b>100.</b>	<b>-</b> <sup>(1)</sup>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$72,160</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Joaquin County Certificates of Participation	0.007%	\$ 6,466
Manteca Unified School District Certificates of Participation	0.039	9,346
City of Stockton General Fund and Pension Obligation Bonds	0.024	15,113
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$30,925</b>
 <b>COMBINED TOTAL DEBT</b>		 <b>\$103,085</b> <sup>(2)</sup>

(1) Excludes bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2017-18 Assessed Valuation:

<b>Direct Debt</b> .....	<b>- %</b>
Total Direct and Overlapping Tax and Assessment Debt	1.38%
Combined Total Debt .....	1.98%

## PROPERTY OWNER AND DEVELOPER WITHIN THE DISTRICT

*[Under Review by Developer and Counsel]*

*The Special Tax is not a personal obligation of the owner of any property within the District. The property ownership will change as the property is subdivided and sold to individual purchasers. The information set forth below has been provided by the Developer and has not been independently verified by the City.*

### General

PW Fund B Development, LLC, a California Limited Liability Company (the “Developer”) is the owner and developer of all of the property within the District. The Developer was organized in and is wholly-owned by PW Fund B, LP, which is wholly-owned by Pac West Industrial Equities, LP. Buzz Oates (defined below) owns or controls approximately 95% of the partnership interest in Pac West Industrial Equities, LP.

The Buzz Oates group of companies (which consists of five separate limited partnerships, including the Developer, eight limited liability companies, and various family trusts, collectively, “Buzz Oates”) is one of the largest privately held development and asset services organizations in the country, with a primary geographic focus in the Central Valley of the State. Buzz Oates has completed, owns and manages a wide range of projects throughout the Central Valley, ranging from commercial warehouses to office parks to retail

centers totaling over 20 million square feet. In 2017, Buzz Oates developed over 1.5 million square feet of commercial real estate in California, including a three-building, 560,000 square foot industrial park in Lathrop, a 451,000 square foot industrial warehouse in the City of Stockton, a 30,000 square foot Sprouts Farmers Market within a 60,700 square foot retail facility in Natomas, and a 300,000 square foot logistics facility in Vacaville. In 2018, Buzz Oates expects to develop 1.5 million square feet of commercial, office, and retail centers with the addition of five buildings throughout the Central Valley.

### **Equity in the Development**

The Developer will finance the costs of any Facilities in excess of the amount available from the proceeds of the Bonds and approximately 40% of the costs to construct and develop the property within the District with equity of the Developer. The remaining costs to construct and develop the property will be funded by an unsecured revolving line of credit provided by a group of lender facilities. *[There will not be a deed of trust recorded against the property in the District.]*

### **Secured Property Taxes, Levies and Collections**

The records of the County Tax Assessor indicate that as of the 2017-18 Fiscal Year, the Developer was current on all *ad valorem* property tax and special assessments on the property in the District it owned during that time period. *[Confirm]*

## **THE CITY**

The City is located in the County approximately 78 miles east of the San Francisco Bay Area, approximately 45 miles south of Sacramento, and approximately miles northwest of Sacramento. The City is the seat of government for the County.

The District is located in the City of Stockton. **The Bonds are not general obligations of the City but, rather, are limited obligations of the City secured solely by the Special Tax to be paid by the owners of property in the District and funds held pursuant to the Indenture.** Certain economic and demographic information with respect to the City is contained in APPENDIX C–“ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF STOCKTON.” This information concerning the City is presented solely as background information.

## BONDOWNERS' RISKS AND INVESTMENT CONSIDERATIONS

*An investment in the Bonds involves substantial risk. The following is a discussion of certain risk factors and investment considerations that 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 the order of presentation is not intended to reflect the relative importance of such information. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of owners of property in the District to pay the Special Tax when due. Such failures to pay the Special Tax could result in a rapid depletion of the Bond Reserve Fund and/or a default in payments of the principal of, and interest 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.*

### Collection of Special Tax

In order for the City to pay debt service on the Bonds, it is necessary that the Special Tax levied against land in the District be paid in a timely manner. Should the Special Tax not be paid on time, the City has established the Bond Reserve Fund under the Indenture in the amount of the Required Bond Reserve to pay debt service on the Bonds.

The Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

Pursuant to the Act, in the event of any delinquency in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the City has covenanted that it will annually on or before January 1 and July 1 of each year review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the preceding six month period, and the City shall, within 60 days thereafter, institute foreclosure proceedings as authorized by the Act: (i) in the event that the Bond Reserve Fund, after all transfers necessitated by any such delinquencies have been made, will be less than the Required Bond Reserve, against all delinquent parcels, or (ii) in the event that the Bond Reserve Fund, after all transfers necessitated by any such delinquencies have been made, will remain at least equal to the Required Bond Reserve, against each parcel delinquent in the amount of \$2,500 or more (excluding penalties and interest), and, in the case of both (i) and (ii), will thereafter vigorously prosecute such actions to completion; and *provided further*, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Bond Reserve Fund is depleted. See "SECURITY FOR THE BONDS AND SOURCE OF PAYMENT—Covenant for Foreclosure."

The City may be unable to make full or timely payment of debt service on the Bonds if property owners in the District fail to pay installments of the Special Tax when due, if the Bond Reserve Fund is depleted, or if the City is unable to sell foreclosed parcels for amounts sufficient to cover the delinquent installments of the Special Tax.

### **Payment of the Special Tax is Not a Personal Obligation of a Property Owner**

**A PROPERTY OWNER IS NOT PERSONALLY OBLIGATED TO PAY THE SPECIAL TAX. RATHER, THE SPECIAL TAX IS AN OBLIGATION ONLY AGAINST THE PROPERTY. IF THE VALUE OF THE PARCELS WITHIN THE DISTRICT IS NOT SUFFICIENT, TAKING INTO ACCOUNT OTHER OBLIGATIONS ALSO PAYABLE THEREBY TO FULLY SECURE THE SPECIAL TAX, THE CITY HAS NO RECOURSE AGAINST THE PROPERTY OWNER.**

### **Concentration of Property Ownership**

Currently, the Developer owns all of the Taxable Property within the District. See “PROPERTY OWNER AND DEVELOPER WITHIN THE DISTRICT.” Financial difficulties of the Developer or its inability to sell the property as planned could result in a failure to pay Special Taxes when due. In that event, there could be a default in the payment of the principal of and interest on the Bonds. There can be no assurance that the Developer or any subsequent owner will develop the property or sell the property, or have the financial resources to develop or sell such parcels. Factors such as financial problems relating to the owner’s overall operations, slowdown in the housing market or unforeseen increases in the costs of development and sale of the properties may result in the owner’s inability to pay Special Taxes.

### **Discontinuance of the Teeter Plan**

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 help protect Owners from the risk of delinquencies in the payment of the Special Tax. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the District would eliminate such protection from delinquent Special Tax payments. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT—Teeter Plan.”

### **Failure to Develop Land**

The property within the District subject to the Special Taxes consists of one parcel for which a tentative subdivision map to divide the parcel into four separate parcels has been filed by the Developer and approved by the City. See “THE DISTRICT—“Development Plan.”. The incentive for the Developer to pay its Special Tax when due could be reduced if the development within the District property is diminished, especially if the value of the undeveloped lands is less than the amount of Special Tax plus costs to maintain or improve the land. No assurances can be given that such development potential of the vacant parcels in the District will not be diminished or that the vacant land is valued at a level significantly more than the Special Tax due on the property plus the cost of maintenance and improvements.

### **Land Values**

If a property owner defaults in the payment of the Special Tax, the City’s only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic factors beyond the District’s control, such as relocation of employers out of the area, stricter land use regulations, the absence of water, or destruction of

property caused by, among other eventualities, earthquake, flood or other natural disaster, or by environmental pollution or contamination.

The City makes no representations as to the value of the property in the District.

### **Competing Development**

At the present time, there is an inventory of completed industrial space within a five-mile radius of the District. Delays in development in the District or faster than expected development or of competing industrial space could adversely affect absorption of units in the District. The result would be slower than expected diversification of ownership in the District and a possible reduction in land values. Such circumstances could reduce the ability or desire of the Developer to pay the annual Special Tax.

### **Zoning and Land Use Decisions**

The Special Tax is to be levied annually based upon the land use categories in effect for the property. Decisions made by the City Council, which has control over zoning and land use decisions for property in the City, will affect the prospective use of the property and, therefore, the tax base for the Special Tax. See “ZONING AND LAND USE” and “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT.”

### **Public and Private Improvements - Increased Debt**

The viability of the District depends upon both public and private improvement of land in the District. In the event that the cost of public and private improvements in the District is financed through borrowings, such borrowings will increase the public and private debt for which the land in the District serves as security. This increased debt could reduce the ability or desire of the property owners in the District to pay the annual Special Taxes levied against their property. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT.”

### **Levy of the Special Tax**

The principal source of payment of debt service on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property in the District. The annual levy of the Special Tax is subject to the maximum tax rates authorized. The levies cannot be made at higher rates even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Other funds which might be available include funds derived from the payment of delinquent Special Tax and funds derived from the tax, sale or foreclosure and sale of Taxable Parcels on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Parcels and the amount of the levy of the Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the Bonds, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Parcel is based upon the revenue needs and application of the Rate and Method of Apportionment. Application of the Rate and Method of Apportionment will, in turn, be dependent upon certain development factors with respect to each Taxable Parcel by comparison with similar development factors with respect to the other Taxable Parcels in the District. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Parcel to vary from the Special Tax that might otherwise be expected:

- Reduction in the number of Taxable Parcels, for such reasons as acquisition of Taxable Parcels by a government and failure of the government to pay the Special Tax based upon a claim of exemption of, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining Taxable Parcels.
- Failure of the owners of Taxable Parcels to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels.

### **Exempt Properties**

As of the date of this Official Statement, there are no properties within the District that are exempt from the Special Tax, although it is anticipated that no Special Tax will be assigned to the parcel intended as a flood detention basin. The Act provides that properties or entities of the state, federal or local government are exempt from Special Tax; provided, however, that property in the District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. 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. The constitutionality and operation of these provisions of the Act have not been tested.

### **Maximum Special Tax**

Within the limits of the Special Tax, the City may adjust the Special Tax on all property in the District to provide an amount required to pay interest on, principal of, Sinking Fund Payments for and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to cure delinquencies and replenish the Bond Reserve Fund to an amount equal to the Required Bond Reserve for the respective Bonds, to pay all current Expenses for the District and to pay for all current Services for the District. However, the amount of the Special Tax that may be levied against particular categories of property in the District is subject to the Maximum Special Tax applicable for that category. There is no assurance that the Maximum Special Tax on the property in the District will be sufficient to pay the amounts required to be paid by the Indenture at all times. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT–Special Tax Authorization” and “–Rate and Method of Apportionment of Special Tax.”

### **Disclosures to Future Purchasers**

The District has recorded notices of the Special Tax Lien in the Office of the County Recorder of the County. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a parcel of land, a home or a commercial or industrial facility in the District or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

### **Parity Taxes and Special Assessments**

The ability or willingness of a property owner in the District to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. The assessments and any penalties thereon constitute a lien against the lots and parcels of land on which they have been levied until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes and other special assessments regardless of when they are imposed upon the same property. The Special Tax has priority over all existing and future private liens imposed on the property. In addition, other public agencies whose boundaries overlap those of the District could, with or in some circumstances without the consent of the owners of the land in the District, impose additional taxes or assessment liens on the property in the District in order to finance public improvements to be located inside or outside of the District.

The City and the District, however, have no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property in the District. In addition, the City is not prohibited itself from establishing assessment districts, community facilities districts or other districts which might impose assessments or taxes against property in the District. The imposition of additional liens on a parity with the assessments could reduce the ability or willingness of the owners of parcels in the District to pay the Special Tax and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Tax or the principal of and interest on the Bonds when due. As of the date of this Official Statement, neither the City nor the District has knowledge of any proposal or plan to levy additional assessments on property within the District. See “THE DISTRICT—Direct and Overlapping Bonded Indebtedness.”

### **Existing and Future Indebtedness**

At the present time, all of the property in the District is undeveloped. In order to develop any improvements on the property, the developers who ultimately build on it may need to construct improvements over and above those described herein. If the costs of these additional improvements are financed from borrowings, such borrowings will increase the public and/or private debt for which the land in the District or other land or collateral owned by the developers is security, and such increased debt could reduce the ability or desire of the developers or future property owners to pay the Special Tax.

## **Bankruptcy**

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid tax, as discussed in “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT,” may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the lien of the Special Tax to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale of tax sale proceedings, thereby delaying such proceedings perhaps for an extended period. Any such delays would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full. To the extent that property in the District continues to be owned by a single or a limited number of property owners, the chances are increased that the Bond Reserve Fund could be fully depleted during any such delay in obtaining payment of delinquent Special Tax. As a result, sufficient moneys would not be available in the Bond Reserve Fund for transfer to the Interest Account or the Principal Account to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis. The payment of Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid tax could be delayed by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting rights of creditors generally or by the laws of the State of California relating to judicial foreclosure. Further, should remedies be exercised under the federal bankruptcy laws against parcels in the District, payment of the Special Tax may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over the Special Tax in a bankruptcy proceeding even though they would not have priority outside of a bankruptcy proceeding.

## **Geologic, Topographic, and Climatic Conditions**

The value of the property in the District in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. The occurrence of seismic activity in the District could result in substantial damage to properties in the District which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay the Special Tax on their property. The District is not located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone) as an area of known active faults and is not otherwise known to be located within an area of any significant seismic activity. However, it may be expected that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the property may well depreciate or disappear.

The property within the District is located within three flood zones. See “THE DISTRICT—Environmental Matters. The City has undertaken measures to mitigate flood risk which include building

inspection and enforcement of building codes, and community education and risk assessment of new development projects, including the development within the District.

### **Endangered Species**

During recent years, there has been an increase in activity at the State of California and federal level related to the possible listing of certain plant and animal species found in California as endangered species. An increase in the number of endangered species is expected to curtail development in a number of areas. At present, the property in the District is not known to be inhabited by any plant or animal species listed as threatened or endangered under either the State of California or federal endangered species acts or which either the California Fish and Game Commission or the United States Fish and Wildlife Service has proposed for addition to the respective endangered species list. Notwithstanding this fact, new species are proposed to be added to the State of California and federal protected lists on a regular basis. Any action by the State or federal governments to protect species located on or adjacent to the property in the District could negatively affect the Developer's ability to complete the Development as planned. This, in turn, could reduce the likelihood of timely payment of the Special Tax and would likely reduce the value of the land estimated by the Appraiser and the potential revenues available at a foreclosure sale for delinquent Special Taxes. See "BONDOWNERS' RISKS AND INVESTMENT CONSIDERATIONS—Land Values."

### **Hazardous Substances**

While governmental taxes, assessments, and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value of a parcel in the District 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 of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels in the District be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal liability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

The valuation of property in the District in the Appraisal Report does not take into account the possible reduction in marketability and value of any of the parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. While the City is not aware that the owner (or operator) of the parcel has such a current liability with respect to any of the parcel, it is possible that such liabilities do currently exist and that the City is not aware of them.

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

## **Tax Cuts and Jobs Act**

Recent changes enacted on December 22, 2017 by federal tax legislation (the Public Law No. 115-97, also referred to as the “Tax Cuts and Jobs Act of 2017”) made significant changes to many aspects of the Code that could have an impact on future property development. For example, the Tax Cuts and Jobs Act reduced the amount of mortgage interest deduction to the first \$750,000 of a home loan on new purchases (existing loans are grandfathered in), increased the standard deduction, and put a limit of \$10,000 on deductions for state and local income tax, sales tax, and property tax expenses that individuals may deduct from their gross income for federal income tax purposes. The changes made by the Tax Cuts and Jobs Act could increase the cost of home ownership within the District and could adversely affect the sale of homes by the Developer Property Owners.

Neither the City nor the District is able to predict the effect that the Tax Cuts and Jobs Act may have on the cost of home ownership or the price of homes in the District, the rate at which homes in the District are sold to homebuyers by the Developer Property Owners, or the ability or willingness of homebuyers to pay the Special Tax or property taxes.

In addition, the changes enacted by Tax Cuts and Jobs Act of 2017 have resulted in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the Series 2018 Bonds and subjects interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Series 2018 Bonds, to a tax payable by Series 2018 Bond owners that are individuals, estates or trusts with adjusted gross income in excess of certain specified thresholds. See “–Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption.”

Neither the Appraisal nor the Absorption Study take into account any of potential impacts of the Tax Act on home values or home sales in the District.

## **Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption**

Recent legislation, future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the Series 2018 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners of the Series 2018 Bonds from realizing the full current benefit of the tax status of such interest. Recent legislation, the introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the Series 2018 Bonds. See “–Tax Cuts and Jobs Act.”

Prospective purchasers of the Series 2018 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion. As discussed under “TAX MATTERS,” interest on the Series 2018 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2018 Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Indenture. If such an event of taxability occur, the Series 2018 Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

## **Depletion of Reserve Fund**

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement as defined in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS—Bond Reserve Fund.” The Reserve Fund will be used to pay principal of and interest on the 2018 Bonds, Outstanding Parity Obligations, and any Additional Bonds, the principal of and interest on which is supported by amounts in the Reserve Fund if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the District. If the Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Tax that exceeds the amounts to be paid to the owners of the 2018 Bonds, Outstanding Parity Obligations, and any Additional Bonds, the principal of and interest on which is supported by amounts in the Reserve Fund under the Indenture. However, because the Special Tax levy is limited to the annual Maximum Annual Special Tax rates, it is possible that no replenishment would be achieved if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Therefore, it is possible that the Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Tax.

### **No Acceleration Provision**

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

### **Depletion of the Bond Reserve Fund**

The Bond Reserve Fund is to be maintained at an amount equal to the Reserve Requirement as defined in the Indenture. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT—Bond Reserve Fund.” The Bond Reserve Fund will be used to pay principal of and interest on the Bonds and any Additional Bonds the principal of and interest on which is supported by amounts in the Bond Reserve Fund, if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the District. If the Bond Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Tax that exceeds the amounts to be paid to the owners of the Bonds and any Additional Bonds the principal of and interest on which is supported by amounts in the Bond Reserve Fund under the Indenture. However, because the Special Tax levy is limited to the annual Maximum Tax rates, it is possible that no replenishment would be achieved if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Therefore, it is possible that the Bond Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Tax.

### **Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption**

Recent legislation, future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislation, the introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion. As discussed under “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Indenture. If such an event of taxability occur, the Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

## **NO RATING**

The City has not made and does not contemplate making an application to any rating agency for the assignment of a rating to the Bonds. 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. Occasionally, because of general market conditions 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.

## **LEGAL MATTERS**

The validity of the Bonds and certain other legal matters are subject to the approving legal opinion of Schiff Hardin LLP, San Francisco, California, Bond Counsel. A copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F to this Official Statement, and the final opinion will be made available to the owners of the Bonds at the time of delivery. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the City by the City Attorney. Certain other legal matters will be passed on for the City by Schiff Hardin LLP, as Disclosure Counsel, and for the Underwriter by Nossaman LLP, Irvine, California, Underwriter's Counsel.

The fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance of the Bonds.

## **TAX MATTERS**

In the opinion of Schiff Hardin LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A copy of the form of opinion of Bond Counsel is set forth in APPENDIX F hereto.

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

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and

requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to the attention of Bond Counsel after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

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

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

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

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the accrual or receipt of interest on the Bonds may otherwise affect a Bondholder's federal income tax liability. The nature and extent of these other consequences will depend upon the holder's particular tax status and the holder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

## **NO LITIGATION**

At the time of delivery of and payment for the Bonds, the City will certify that, to the best of their knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory agency, public board or body pending or, to the best of its knowledge, threatened against the City affecting its existence, or the titles of its respective officers, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or levy of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Bond Purchase Contract entered into between the City and the Underwriter, or any other applicable agreements or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents, nor, to the knowledge of the City, is there any basis therefor.

## **UNDERWRITING**

The Bonds are being purchased by Brandis Tallman LLC (the “Underwriter”). The Underwriter has agreed, subject to certain conditions precedent, to purchase the Bonds from the City pursuant to the terms and conditions of a bond purchase agreement between the City and the Underwriter: at a price equal to \$\_\_\_\_\_ (which represents the principal amount of the Bonds, [plus a net original issue premium/less a net original issue discount] in the amount of \$\_\_\_\_\_, less an underwriter’s discount in the amount of \$\_\_\_\_\_). 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 said bond purchase agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may change the initial public offering prices set forth on the cover page. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof.

## **MUNICIPAL ADVISOR**

The Authority has retained Del Rio Advisors LLC, Modesto, California, as Municipal Advisor, in connection with the authorization and delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory service and is not engaged in underwriting or trading of securities. The Municipal Advisor will receive compensation that is contingent upon the sale, issuance and delivery of the Bonds.

## **PROFESSIONAL FEES**

In connection with the issuance of the Bonds, fees payable to certain professionals are contingent on the issuance and delivery of the Bonds, including: the Underwriter, Schiff Hardin LLP, as Bond Counsel and Disclosure Counsel, Wells Fargo Bank, N.A., San Francisco, California, as Trustee; and Del Rio Advisors, as Municipal Advisor to the City.

## CONTINUING DISCLOSURE

### City

The City has covenanted for the benefit of the Owners to provide certain financial information and operating data relating to the Bonds by not later than March 31 of each year following the end of the City's fiscal year (which currently is June 30) commencing with the report due March 31, 2019 (the "Annual Report"), and to provide notices of the occurrence of certain significant event. The Annual Report and notices of significant events will be filed by means of the EMMA site maintained by the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of significant events is contained within APPENDIX E—"FORMS OF CONTINUING DISCLOSURE CERTIFICATES—FORM OF CITY OF STOCKTON CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The City has determined that no financial or operating data concerning the City is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the City will not provide any such information. The City, will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the CFDs and the Reassessment Districts (the "Annual Report") by not later than the March 31 following the end of the City's fiscal year, commencing March 31, 2017, with the report for the fiscal year ending June 30, 2016, and to provide notices of the occurrence of certain listed events ("Notice Events"). These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX F.

The City and related governmental entities – specifically those entities, like the City, for whom City staff is responsible for undertaking compliance with continuing disclosure undertakings – have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. In 2016, the City hired Digital Assurance Certification ("DAC") to do a detailed review of all of the City's postings on EMMA for the preceding five years. The review was completed on or about June 30, 2016. In the preceding five years, the City failed to timely comply in certain respects with its previous undertakings with regard to the Rule to provide annual reports or notices of Notice Events. In addition, on several occasions during the last five years the City has failed to provide its audited or unaudited financial statements in the time required by its continuing disclosure undertakings. Specifically, the audited financial statements for Fiscal Year 2012-13, Fiscal Year 2011-12 and Fiscal Year 2010-11 were not filed in a timely manner. The City's compliance with its previous undertakings in this respect was complicated by the bankruptcy proceedings, and while the City filed detailed information with EMMA as and when available with respect to the bankruptcy, the completion of its audited financial statements has demanded more time in recent years than expected and agreed in its previous undertakings. *[To be updated to include failures, if any, since 2016.]*

The City has an ongoing contract with Willdan Financial Services as Dissemination Agent. The City believes it has established procedures to ensure that the City will make all required continuing disclosure filings on a timely basis in the future.

### Developer

The Developer has covenanted for the benefit of the Owners to provide certain financial information and operating data relating to the Bonds by not later than March 31 of each year following the end of the City's fiscal year (which currently is June 30) commencing with the report due March 31, 2019 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material.

The Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed with the Municipal Securities Rulemaking Board. In addition, the Developer has agreed to prepare certain semiannual reports, commencing with the semiannual report due \_\_\_\_\_, 2019. The specific nature of the information to be contained in the Annual Reports, the notices of material events and the Developer's semiannual reports is set forth in APPENDIX E—"FORMS OF CONTINUING DISCLOSURE CERTIFICATES—FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE."

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**MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the City or the District and the Underwriter of the Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of such documents and reports are available for inspection at the office of the Chief Financial Officer, 425 North El Dorado Street, Stockton, California 95202.

The execution and delivery of the Official Statement by the City have been duly authorized by the City Council.

CITY OF STOCKTON

By: \_\_\_\_\_  
Chief Financial Officer

**APPENDIX A**

**RATE, METHOD OF APPORTIONMENT, AND MANNER  
OF COLLECTION OF SPECIAL TAX**

**APPENDIX B**  
**APPRAISAL REPORT**

**APPENDIX C****GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION RELATING  
TO THE CITY OF STOCKTON**

*The following information concerning the City of Stockton (the “City”) and the County of San Joaquin (the “County”) is included only for the purpose of supplying general information. The 2018 Bonds are not a debt of the City, the County, or the State of California (the “State”) or any of its political subdivisions. The 2018 Bonds are payable solely from the Special Tax as described in the Official Statement. See “SECURITY FOR THE BONDS AND SOURCE OF PAYMENT.”*

**General**

The City is a municipal corporation and charter city incorporated in 1850. The City is the county seat of the County and is located in California’s San Joaquin Valley, approximately 78 miles east of the San Francisco Bay Area, approximately 345 miles north of Los Angeles and approximately 45 miles south of Sacramento. The County covers approximately 1,400 square miles. The County is bounded by Sacramento County on the north, Stanislaus County on the south, Contra Costa County and Alameda County on the west and Amador County, Calaveras County and Stanislaus County on the east. The land area of the City is 61.7 square miles.

**Governing Body**

The City operates under a Council/Manager form of government, with a seven-member City Council (current members were elected by district voting) for staggered four-year terms. Under this form of government, policy making and legislative authority is entrusted to the City Council. The Mayor and representatives from six districts are elected by City-wide election for staggered four-year terms, with a two-term limit. Newly elected representatives are sworn in on the first Tuesday of January of each odd-numbered year.

The City Manager is responsible for carrying out policies and ordinances of the City Council for appointing heads of departments and overseeing the operation of the City. The City Manager, the City Attorney, the City Auditor and the City Clerk are appointed by the City Council.

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The Mayor, current members of the City Council and key administrative personnel of the City are listed in Table C-1 and Table C-2, respectively.

**TABLE C-1**  
**CITY OF STOCKTON**  
**Mayor and City Councilmembers**

Name	Office	Term Expires	Occupation
Michael Tubbs	Mayor	12/31/21	Educator
Elbert H. Holman, Jr.	Vice Mayor, District 1	12/31/19	Retired – law enforcement
Christina Fugazi	Councilmember, District 5	12/31/19	Educator
Dan Wright	Councilmember, District 2	12/31/19	Elementary School Principal
Susan Lofthus	Councilmember, District 3	12/31/18	Administrative Assistant
Susan Lenz	Councilmember, District 4	12/31/20	Business Owner
Jesús Andrade	Councilmember, District 6	12/31/20	Businessman

**TABLE C-2**  
**CITY OF STOCKTON**  
**Key Administrative Personnel**

Name	Position
Kurt O. Wilson	City Manager
John M. Luebberke	City Attorney
Matt Paulin	Chief Financial Officer
Moss Adams LLP	City Auditor
Brett Hunter	City Clerk

The City provides a full range of municipal services. As provided in the City Charter, these services include public safety (police, fire, paramedics, water rescue and building inspection), sanitation (solid waste disposal, wastewater and stormwater utilities), water utility, community development, library, parks and recreation and general administrative services. Budgeted City full-time employees number \_\_\_\_\_ for Fiscal Year 2017-18, all of which are full-time permanent employees. Of the full time employees, \_\_\_\_\_ are assigned to the Police Department and \_\_\_\_\_ to the Fire Department. Fire protection service is provided by the City, which has 12 stations and one fire training facility within its borders.

**Population**

Population information is set forth in Table C-3.

**TABLE C-3**  
**CITY OF STOCKTON, COUNTY OF SAN JOAQUIN**  
**AND STATE OF CALIFORNIA**  
**Population**  
**(As of January 1)**

Year	City of Stockton	County of San Joaquin	State of California
2013	302,227	704,700	38,239,207
2014	304,994	711,850	38,567,459
2015	312,990	723,761	38,907,642
2016	316,464	735,677	39,189,035
2017	311,724	747,263	39,500,973
2018	315,103	758,744	39,809,693

Sources: California State Department of Finance, E-1 Population Estimates for Cities, Counties, and the State—January 1, 2013 and 2014 through January 1, 2017 and 2018, released May 1, 2018; California State Department of Finance.

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## Labor Force and Employment

Table C-4 compares estimates of the labor force, civilian employment, and unemployment for City residents, County residents, State residents, and United States residents between 2013 and 2017.

**Table C-4**  
**CITY OF STOCKTON, COUNTY OF SAN JOAQUIN**  
**STATE OF CALIFORNIA AND UNITED STATES**  
**Civilian Labor Force, Employment, and Unemployment**  
**2013 through 2017**

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
<b>2017</b>				
City	130,900	122,300	8,600	6.6%
County	324,400	305,600	18,800	5.8
State	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	15,337,000	6,982,000	4.4
<b>2016</b>				
City	129,400	118,100	11,300	8.7
County	319,200	293,500	25,700	8.1
State	19,312,000	18,393,100	1,044,800	5.5
United States	159,187,000	151,436,000	148,976,000	4.9
<b>2015</b>				
City	127,900	115,700	12,200	9.6
County	315,200	287,300	27,900	8.9
State	18,893,200	17,723,300	1,169,900	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
<b>2014</b>				
City	127,500	113,000	14,500	11.3
County	312,600	279,700	32,900	10.5
State	18,755,000	17,348,600	1,406,400	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<b>2013</b>				
City	128,100	111,100	17,000	13.2
County	313,100	274,600	38,500	12.3
State	18,624,300	16,958,700	1,665,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4

Sources: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

## Employment and Industry

Approximately 3,000 acres in the City are zoned for light and heavy industry. Included in this acreage are 15 industrial parks with all on/site improvements. Six industrial parks are rail served.

The principal employers in the City as of Fiscal Year 2016-17 are set forth in Table C-5.

**Table C-5**  
**CITY OF STOCKTON**  
**Principal Employers**  
**Fiscal Year 2016-17**  
**(As of August 2017)**

Company	Product/Service	Employees	Percent of Total City Employers
St. Joseph's Medical Center	Health Care	4,600	1.48%
Stockton Unified School District	Public Education	3,894	1.25
City of Stockton	City Government	1,862	0.60
Dameron Hospital	Health Care	1,200	0.39
Kaiser Permanente	Health Care	1,065	0.34
San Joaquin Delta College	Education	967	0.31
University of the Public	Education	900	0.29
Lincoln Unified School District	Education	765	0.25
O'Reilly Auto Parts	Automotive	600	0.19
World Class Distribution, Inc.	Warehouse	500	<u>0.18</u>
TOTAL			5.27%

† Includes employees of the San Joaquin General Hospital.

Source: City of Stockton Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017.

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The Industry Employment and Labor Force for the Stockton-Lodi Metropolitan Statistical Area (MSA) are set forth in Table C-6. The principal city within the Stockton-Lodi MSA is the City.

**Table C-6**  
**STOCKTON-LODI MSA**  
**Industry Employment<sup>†</sup> and Labor Force**  
**By Annual Average**  
**March 2017 Benchmark**

	2013	2014	2015	2016	2017
Total All Industries	221,200	226,700	234,800	242,600	250,900
Agriculture	16,100	15,700	16,700	16,600	16,600
Nonagriculture	205,100	211,000	218,200	226,000	234,300
Goods Producing	26,800	27,500	28,800	30,000	30,800
Manufacturing	17,900	18,500	18,600	18,800	19,200
Wholesale Trade	11,100	11,100	11,400	11,700	12,100
Retail Trade	25,600	25,700	26,000	26,500	26,800
Transportation, Warehousing, Utilities	17,200	18,300	20,400	23,600	26,700
Information	2,100	2,100	1,900	2,000	1,900
Financial Activities	7,600	7,500	7,400	7,500	7,800
Professional and Business Services	17,400	18,300	19,400	19,600	19,000
Education and Health Services	35,500	35,900	36,500	36,400	38,000
Leisure and Hospitality	18,200	19,100	19,700	20,500	21,400
Other Services	6,600	6,900	7,200	7,500	7,900
Government	37,100	38,600	39,600	40,800	42,000

<sup>†</sup> Industry employment is by place of work; excludes business owners, self-employed people, unpaid volunteers or family workers and private household workers.

Source: State of California Employment Development Department, Labor Market Information Division.

## Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the “BEA”) produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines “personal income” as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors’ income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau’s annual midyear population estimates.

Table C-7 summarizes the total personal income and per capita income for the Stockton-Lodi Metropolitan Statistical Area (an “MSA”), the State and the United States for the calendar years 2012 through 2016 (the most recent annual data available). The principal city within the Stockton MSA is the City.

**Table C-7**  
**STOCKTON-LODI MSA, STATE OF CALIFORNIA AND UNITED STATES**  
**Personal Income**

<b>Year and Area</b>	<b>Personal Income (millions of dollars)</b>	<b>Per Capita Personal Income (dollars)</b>
<b>2016<sup>†</sup></b>		
Stockton MSA	\$29,	\$40,458
State	2,212,	56,374
United States	15,912,	49,246
<b>2015</b>		
Stockton MSA	28,	39,087
State	2,133,	54,718
United States	15,547,	48,451
<b>2014</b>		
Stockton MSA	26,	36,836
State	1,986,	51,344
United States	14,811,	46,494
<b>2013</b>		
Stockton MSA	24,	35,095
State	1,861,	48,570
United States	14,068,	44,493
<b>2012</b>		
Stockton MSA	23,	33,986
State	1,838,	48,369
United States	13,904,	44,282

<sup>†</sup> The most recent annual data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Per capita personal income was computed using Census Bureau Midyear population estimates. Estimates reflect County population estimates available as of March 2017.

Note: All dollars estimates are in current dollars no adjusted for inflation)

Last updated: November 16, 2017.

## Construction Activity

Building activity for the past five calendar years for which data is available in the City is shown in Table C-8.

**Table C-8**  
**CITY OF STOCKTON**  
**Total Building Permit Valuations<sup>†</sup>**  
**(\$ in thousands)**

<b>Permit Valuation</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
New Single Family	\$24,406	\$24,633	\$19,135	\$32,955	\$58,735
New Multiple Family	–	7,265	1,011	29,605	14,797
Residential Alterations/Additions	7,622	9,608	13,577	12,860	75,506
TOTAL RESIDENTIAL	32,028	41,507	33,724	75,421	149,038
TOTAL NONRESIDENTIAL	<u>57,071</u>	<u>92,300</u>	<u>87,732</u>	<u>78,556</u>	<u>122,975</u>
TOTAL	\$89,100	\$133,808	\$121,456	\$153,978	\$270,013

  

<b>Net Dwelling Units</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Single Family	122	96	75	123	215
Multiple Family	0	70	4	257	25
TOTAL	122	166	79	380	240

(1) Certain columns may not total due to rounding.

(2) Most recent annual data available.

Sources: Construction Industry Research Board: "Building Permit Summary" 2012 through 2016.

## Transportation

The City is located on Interstate 5, the West Coast's major route from Canada to Mexico. The City's cross-town freeway connects Interstate 5 with State Route 99, the State's other principal north-south freeway, and State Route 99, California's other principal north-south highway. The City also benefits from direct highway connections to the San Francisco Bay Area via Interstate 580, and to the Reno-Lake Tahoe area via Interstate 80. Thirty-five major transcontinental truck lines and nearly 200 contract carriers serve the City and provide overnight delivery to Los Angeles, San Francisco and Reno. The City is also served by Greyhound and the San Joaquin Regional Transit District.

The City is served by the rail services of Santa Fe, Southern Pacific, and Union Pacific systems in addition to three short line railroads: Central California Traction Company, Tidewater Southern, and Stockton Terminal and Eastern Railroad. Passenger service is provided by Amtrak.

The Stockton Metropolitan Airport, located on 1,449 acres on the southern boundary of the City, is a general aviation facility offering both passenger and freight transport services. It has six air carrier gates adjoining a 44,355 square foot terminal building.

The Port of Stockton is the largest inland deep water port in the State. It is located on the Stockton deepwater ship channel and encompasses a 2,000 acre operating area. The Port has berthing space for 17 vessels, 1.1 million square feet of dockside transit sheds and shipside rail trackage, and 7.7 million square feet of warehousing, and is 75 nautical miles east of the Golden Gate Bridge.

Railroad service is provided to the City by Burlington Northern, Santa Fe and the Union Pacific railroads. Daily passenger service by Amtrak is available to San Francisco, Los Angeles and Sacramento.

### **Education and Recreation**

**Education.** Within the City, there are five post-secondary institutions: San Joaquin Delta Community College, California State University Stanislaus-Stockton (extension), University of the Pacific, Humphrey's College and School of Law and National University (private).

The majority of students living within City limits attend schools operated by one of four unified school districts providing kindergarten through grade 12 education: the Stockton Unified School District, the Lodi Unified School District, the Lincoln Unified School District and the Manteca Unified School District.

The Escalon Unified School District, the Holt Union Elementary School District, the Linden Unified School District, the Tracy Unified School District and the County Office of Education also operate schools located within the City.

There are also more than 20 private schools located within the City offering elementary and secondary education.

There is also one central, five branch libraries and two mobile library units holding more than one million books in the collection.

**Recreation.** The City is situated along the San Joaquin Delta waterway which connects to the San Francisco Bay and the Sacramento and San Joaquin Rivers and is also located in close proximity to Lake Tahoe and Yosemite National Park. There are approximately 619 acres of parkland located within the City.

The Stockton Children's Museum is located in downtown Stockton and offers educational experiences based upon hands-on, play-based exhibits that enhance a child's understanding of how the world works. The Museum features more than a dozen different child-sized environments that recreate the ambience of a small city where merchants, bankers and doctors might mingle among the grocery shoppers, fast food customers and canning crew.

The 5,000 seat Stockton Ballpark that opened in April 2005 is the home of the Stockton Ports single A minor league team for the Oakland Athletics features four luxury suites, lawn seating, a family recreation area and a barbeque area with umbrella seating behind the outfield.

The City Centre Cinema Complex in downtown Stockton offers a 16-screen movie theater, restaurants and retail shopping.

The 220,000 square foot, 10,000 seat Stockton Arena is home of the Stockton Thunder Minor League Hockey Team.

The 2,042-seat Bob Hope Theater is located in the historic former Fox Theater that was constructed in 1930. This performing arts center hosts national and local theatrical, musical, comedy and dance productions.

The Gary & Janice Podesto IMPACT Teen Center, located in downtown Stockton, features four bowling lanes, a half-court basketball area, stage, meeting rooms, game rooms, classrooms, a computer lab, snack bar, and a climbing wall.

The City also operates a Skate Park and Ice Arena and offers various other sports and recreational opportunities through the City Park and Recreation Department.

**APPENDIX D**

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

## APPENDIX E

## FORMS OF CONTINUING DISCLOSURE CERTIFICATES

## FORM OF CITY OF STOCKTON CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Stockton (the “City”) in connection with the issuance of \$\_\_\_\_\_ City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Special Tax Bonds, Series 2018 (the “Bonds”). The Bonds are being issued pursuant to a Indenture, dated as of \_\_\_\_\_ 1, 2018 (the “Indenture”), between the City and Wells Fargo Bank, N.A., as trustee (the “Trustee”). The City covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**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 Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” means 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).

“*Disclosure Representative*” means the \_\_\_\_\_ of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” means initially the Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City written evidence of such designation.

“*EMMA*” means the Electronic Municipal Marketplace Access site maintained by the MSRB, currently located at <http://emma.msrb.org>.

“*Filing Date*” means March 31 following the end of each Fiscal Year of the City (or the next succeeding business day if such day is not a business day), commencing with the filing for Fiscal Year 2017-18 due March 31, 2019.

“*Fiscal Year*” means with respect to the City, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any 12-month or 52-week period thereafter selected by the City with notice of such selection of change in fiscal year to be provided as set forth in Section 3(a).

“*Holders*” means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the

Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the Official Statement dated \_\_\_\_\_, 2018 relating to the Bonds.

“*Participating Underwriter*” means Brandis Tallman LLC, as the original underwriter of the Bonds, which is required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Significant Event*” means any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate and any other event legally required to be reported pursuant to the Rule.

### SECTION 3. Provision of Annual Reports.

(a) The City shall provide, or shall cause the Dissemination Agent to provide to the MSRB, not later than the Filing Date, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Fiscal Year of the City changes, it shall give notice of such change in the same manner as for a Significant Event under this Disclosure Certificate. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) Not later than fifteen (15) Business Days prior to the Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The City shall provide, or cause the preparer of the Annual Report to provide, a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished to it hereunder. The Dissemination Agent may conclusively rely upon such certification and shall have no duty or obligation to review such Annual Report.

(c) If the City is unable to provide to the Annual Report to the MSRB by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) Provided it has received the Annual Report from the City pursuant to Section 3(a), file the Annual Report the MSRB by the Filing Date, and file any notice of a Significant Event, if requested by the City, as soon as practicable following receipt from the City of such notice; and

(ii) Provided it has received the Annual Report from the City pursuant to Section 3(a), file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) A maturity schedule for the outstanding Bonds, and a listing of Bonds redeemed prior to maturity during the prior Fiscal Year.

(b) Balance in each of the following funds established pursuant to the Indenture as of the close of the prior Fiscal Year:

(i) The Special Tax Fund (with a statement of the debt service requirement to be discharged by the Special Tax Fund prior to the receipt of additional Special Taxes); and

(ii) The Bond Reserve Fund (with a statement of the current Required Bond Reserve).

(c) A statement of the principal amount of Bonds redeemed in the prior fiscal year, provided however, that no such statement in the Annual Report shall be required if the information which would be included therein has been provided in accordance with Section 5.

(d) Identification of each parcel and the name of the owner for which any installment of due and unpaid Special Tax is delinquent, together with the following information respecting each such parcel:

(i) The amount delinquent (exclusive of late charges and monthly penalties for reinstatement);

(ii) The date of the first delinquency;

(iii) In the event a foreclosure complaint has been filed respecting such delinquent parcel and such complaint has not yet been dismissed, the date on which the complaint was filed in the Superior Court; and

(iv) In the event a foreclosure sale has occurred respecting such delinquent parcel, a summary of the results of such foreclosure sale.

(e) Total assessed value of all of the parcels (representing more than five percent of the Special Tax payable) subject to the Special Tax, the owner of each parcel, and the individual lien-to-value ratio for each parcel (either individually or in the following categories: “below 3:1,” “3:1 to 4:1” or “above 4:1”).

(f) The number of building permits issued for property in the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Disclosure Certificate, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) business days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (iii)     Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv)     Substitution of credit or liquidity providers, or their failure to perform;
- (v)     Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi)     Tender offers;
- (vii)    Defeasances;
- (viii)   Rating changes; or
- (ix)     Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

*Note:* This event is considered to occur upon the happening of any of the following: the appointment of a receiver, trustee 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.

(b)     The City shall give, or cause to be given, notice to the MSRB of the occurrence of any of the following events described in this Section 5(b) with respect to the Bonds, if material, not later than ten (10) business days after the occurrence of the event:

- (i)     Unless described in Section 5(a)(v), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (ii)    Modifications to rights of the Bond holders;
- (iii)   Optional, unscheduled or contingent Bond calls;
- (iv)    Release, substitution, or sale of property securing repayment of the Bonds;
- (v)     Non-payment related defaults;
- (vi)    The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
- (vii)   Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City acknowledges that it is required to make a determination whether a Significant Event in Section 5(b) is material under applicable federal securities laws in order to determine if a filing with the MSRB is required. If the City determines that the occurrence of an event listed in Section 5(b) would be material under applicable federal securities laws, or if the City changes its Fiscal Year, the City shall file, or shall cause the Dissemination Agent to file, within ten (10) business days of occurrence, a notice of such event on EMMA.

(d) Notwithstanding the foregoing, notice of Significant Events described in Section 5(a)(7) and Section 5(b)(3) need not be given any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Identifying Information for Filings with EMMA. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The obligations of the City under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Significant Event under Section 5(c).

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time upon delivery of written notice thereof to the City at least thirty (30) days prior to the effective date of such resignation. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied with respect to such amendment or waiver:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or a change in the nature, identity or status of an obligated person with respect to the Bonds or the type of business conducted by such person;

(b) The undertaking in this Disclosure Certificate, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to such Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

(d) Any amendment that modifies or increases the duties or obligations of the Dissemination Agent shall be agreed to in writing by the Dissemination Agent.

(e) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Significant Event, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(f) Notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for the occurrence of a Significant Event under Section 5(c).

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

**SECTION 11. Default.** This Disclosure Certificate shall be solely for the benefit of the holders and beneficial owners from time to time of the Bonds. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of the Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds and upon receipt of indemnity satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by order of a court of competent jurisdiction in the County of San Joaquin, California, to cause the City to comply with its obligations under this Disclosure Certificate, *provided* that any holder or beneficial owner seeking to require the City to comply with this Disclosure Certificate shall first provide at least thirty (30) days prior written notice to the City of the failure of the City, giving reasonable detail of such failure. Failure by the City to comply with any provision of 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 City to comply with the terms of this Disclosure Certificate shall be an action to compel performance. No person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

**SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the 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. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 13. Notices.** Any notice or other communication to be given by the City or the Dissemination Agent under this Disclosure Certificate may be given by delivering the same by first class mail, postage prepaid, messenger, or overnight delivery to the addresses set forth below (until another address is filed by the City or the Dissemination Agent with the Trustee):

To the City:	City of Stockton 425 North El Dorado Street Stockton, California 95202 Attention: Chief Financial Officer
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If to the Trustee:	Wells Fargo Bank, N.A. Corporate Trust Services 333 Market Street, 18th Floor San Francisco, California 94105
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If to the Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, California 92590
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**SECTION 14. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**SECTION 15 Record Keeping.** The City shall maintain records of Annual Reports and notices of Significant Events, including the content of such disclosure, the name of the entities with which such disclosure was filed and the date of filing of such disclosure.

SECTION 16. Governing Law. The laws of the State of California shall govern this Disclosure Certificate, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Certificate shall be brought, commenced or prosecuted in any courts of the State located in the County of San Joaquin, California.

SECTION 17. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: \_\_\_\_\_, 2018

CITY OF STOCKTON

By: \_\_\_\_\_  
Chief Financial Officer

The undersigned hereby agrees to act as  
Dissemination Agent pursuant to the terms  
and conditions of this Continuing Disclosure Certificate

WILLDAN FINANCIAL SERVICES

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Stockton

Name of Bond Issue: Community Facilities District No. 2018-1 (Arch Road/Newcastle Road)  
Special Tax Bonds, Series 2018

Date of Issuance: \_\_\_\_\_, 2018

NOTICE IS HEREBY GIVEN that the City of Stockton (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2018 executed by the City for the benefit of the Holders and Beneficial Owners of the above-referenced bonds. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

CITY OF STOCKTON

By: \_\_\_\_\_  
[Chief Financial Officer]

cc: [Wells Fargo Bank, N.A., as Trustee  
333 Market Street, 18<sup>th</sup> Floor  
San Francisco, CA 94105]

## FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by PW Fund B Development, LLC (the “Developer”) in connection with the issuance of \$\_\_\_\_\_ City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Special Tax Bonds, Series 2018 (the “Bonds”). The Bonds are being issued pursuant to a Indenture, dated as of \_\_\_\_\_ 1, 2018 (the “Indenture”), between the City of Stockton (the “City”) and Wells Fargo Bank, N.A., as trustee (the “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 Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**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 Section, the following capitalized terms shall have the following meanings:

“*Affiliate*” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, (c) any Person directly or indirectly controlling such other Person, and (d) with respect to any general partner of a partnership or member of a limited liability company for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“*Annual Report*” means any Annual Report provided by the Developer pursuant to, and as described in, Section 3(a) and Section 4(a) of this Disclosure Certificate.

“*Assumption Agreement*” means an agreement between a landowner in the District, or an Affiliate thereof, and the Dissemination Agent containing terms substantially similar to this Disclosure Certificate, whereby such landowner or Affiliate agrees to provide annual reports and notices of significant events to the Dissemination Agent of the character described in Sections 3 and 4 hereof, with respect to the portion of the Property owned by such landowner and its Affiliates and which contains an assumption provision of the character set forth in Section 6 hereof to be applicable to sales of Property by such landowner.

“*Beneficial Owner*” means 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).

“*City*” means the City of Stockton, California.

“*Disclosure Representative*” means the \_\_\_\_\_ of the Developer or his or her designee, or such other person as the Developer shall designate in writing to the Trustee from time to time.

“*Dissemination Agent*” means Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any Dissemination Agent designated in writing by the Developer and which has filed with the Developer a written acceptance of such designation.

“*District*” means the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road).

“*EMMA*” means the Electronic Municipal Marketplace Access site maintained by the MSRB, currently located at <http://emma.msrb.org>.

“*Event of Bankruptcy*” means, with respect to a Person, that such Person files a petition or institutes a proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby such Person asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of such Person’s debts or obligations, or offers to such Person’s creditors to effect a composition or extension of time to pay such Person’s debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of such Person’s debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character is filed or instituted or taken against such Person, or if a receiver of the business or of the property or assets of such Person is appointed by any court, or if such Person makes a general assignment for the benefit of such Person’s creditors.

“*Filing Date*” means no later than nine months following the end of each fiscal year of the City, currently June 30 (or the next succeeding business day if such day is not a business day), commencing with the filing for Fiscal Year 2017-18 due March 31, 2019.

“*Fiscal Year*” means the Developer’s fiscal year for its financial accounting purposes.

“*Holders*” means either the registered owners of the Bonds, or, if the Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

“*MSRB*” means 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 EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“*Official Statement*” means the Official Statement dated \_\_\_\_\_, 2018 relating to the Bonds.

“*Participating Underwriter*” means Brandis Tallman LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“*Property*” means the real property within the boundaries of the District on which a Special Tax is authorized to be levied by the District.

“*Property Owner*” means any Person that owns a fee interest in any Property.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Semiannual Report*” means any Semiannual Report provided by the Developer pursuant to, and as described in, Section 3(b) and Section 4(b) of this Disclosure Certificate.

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*Special Tax*” means any tax levy under the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311 *et seq.* of the State Government Code within the District.

“*State*” means the State of California.

### SECTION 3. Reporting Requirements

#### (a) Provision of Annual Reports.

(i) The Developer shall provide to the MSRB, or shall cause the Dissemination Agent to provide to the MSRB, not later than the Filing Date an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the Developer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). The Annual Report shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB. In each case the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If the Developer’s fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c).

The Dissemination Agent shall have no duty or obligation to review such Annual Report.

(ii) If by 15 Business Days prior to the date specified in Section 3(a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(iii) If the Developer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(iv) The Dissemination Agent shall:

(A) Provided it has received the Annual Report pursuant to Section 3(a), file the Annual Report with the MSRB by the Filing Date and file any notice of a Significant Event, if requested by the Developer, as soon as practicable following receipt from the Developer of such notice; and

(B) Provided it has received the Annual Report pursuant to Section 3(a), file a report with the Developer and the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

(b) Provision of Semiannual Reports. Until the earlier of (i) such time as eighty percent (80%) of the Property in the District that is owned by the Developer and/ or any Affiliate thereof has been improved with structures or other permanent site improvements, or (ii) this Disclosure Certificate terminates pursuant to Section 7 hereof, the Developer shall, or upon written request shall cause the Dissemination Agent to, not later than sixty (60) days after the six month anniversary of the start of the Fiscal Year, commencing with the report for the middle of the Fiscal Year which ends in 2018, provide to the MSRB a Semiannual Report which is consistent with the requirements of Section 4(b) of this Disclosure Certificate, with a copy to the City, and the Participating Underwriter. Not later than fifteen (15) days prior to said date, the Developer shall provide the Semiannual Report to the Dissemination Agent. The Developer shall provide a written certification with each Semiannual Report furnished to the Dissemination Agent, and the City to the effect that such Semiannual

Report constitutes the Semiannual Report required to be furnished by the Developer hereunder. The Dissemination Agent and the City may conclusively rely upon such certification of the Developer, and shall have no duty or obligation to review such Semiannual Report. 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(b) of this Disclosure Certificate.

Section 4. Content of Reports

(a) Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

- (i) A description of any material changes to the plan of development of the public and private improvements being constructed by the Developer or any Affiliate thereof on the Property (the “Improvements”) from that shown in the Official Statement;
- (ii) A description of any sales or leasing by the Developer or any Affiliate thereof of material portions of the Property during the Fiscal Year covered by such Annual Report, including the identification of each lessee or purchaser, the square footage leased or the number of acres sold, as applicable, and the sales price (or new assessed value), as applicable;
- (iii) A description of the number of acres of Property owned by the Developer or any Affiliate thereof as of the end of the Fiscal Year covered by such Annual Report;
- (iv) Any delinquency in the payment of Special Tax by the Developer or any Affiliate thereof during the Fiscal Year to which the Annual Report pertains, and a statement as to whether or not any such delinquency has been cured;
- (v) Any pending litigation which would adversely affect the ability of the Developer or any Affiliate thereof to develop Property owned by the Developer or any Affiliate thereof or to pay the Special Tax levied on such Property, or any legislative, or administrative challenges to the construction of the Improvements as known to the Developer;
- (vi) A list summarizing any Property Owner responsible for the payment of more than 20% of the Special Tax;
- (vii) Any material change in the structure or ownership of the Developer;
- (viii) A description of the status of completion of the Improvements, and of the status of building permits and certificates of occupancy or completion, as applicable, issued for the Improvements;
- (ix) Material amendments to land use entitlements for the Improvements; and
- (x) The assumption of any obligations of the Developer pursuant to Section 6.

In addition to any of the information expressly required to be provided as described 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.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Developer or related public entities, which have been

submitted to the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference.

(b) Content of Semiannual Reports. The Semiannual Reports shall contain or incorporate by reference the following information, as of the end of the immediately preceding six month period, for each County Assessor's parcel in the District that is owned by the Developer or any Affiliate thereof and is subject to the levy of the Special Tax: (i) whether or not a building permit has been issued for such parcel, (ii) whether or not construction has commenced with respect to Improvements on such parcel, and, if so, the approximate stage of completion, and (iii) whether or not any such construction on such parcel has been completed and, if so, the date on which a certificate of occupancy or notice of completion was issued by the applicable governmental agency.

#### SECTION 5. Reporting of Significant Events.

(a) 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:

(i) Any failure by the Developer or any Affiliate thereof to pay any real property taxes (including any Special Tax) levied within the District;

(ii) Transfer of 20% or more of the property within the District to another developer or the entering into of a contract (including a purchase option or ground lease) for such purpose;

(ii) Material damage to or destruction of any of the Improvements;

(iii) Default by the Developer or any Affiliate thereof on any loan with respect to the construction of the Improvements; and

(iv) The occurrence of an Event of Bankruptcy with respect to the Developer or any Affiliate thereof.

(b) Whenever the Developer obtains knowledge of the occurrence of a Significant Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities law.

(c) If the Developer determines that knowledge of the occurrence of a Significant Event would be material under applicable federal securities law, the Developer shall promptly file a notice of such occurrence with the MSRB, with a copy to the City and the Participating Underwriter and the Trustee.

SECTION 6. Assumption of Obligations. If a portion of the Property owned by the Developer, or any Affiliate of the Developer, is to be conveyed to a Person that, upon such conveyance, will, together with any Affiliates of such Person, own land in the District that is subject to over twenty (20%) of the Special Tax levied in the District in the most recent Fiscal Year, the Developer shall include a provision in the conveyance agreement for a Person to agree to execute an Assumption Agreement following the closing of escrow for the conveyance. At the option of the Developer, the determination of the land area so owned may be based upon the last equalized roll of the County, or any other information indicating land ownership believed by the Developer to be reliable, such as a certificate of the proposed landowner as to the land owned by it in the District.

The Developer shall enter into an Assumption Agreement with any landowner described in the preceding paragraph, which Assumption Agreement shall be in form and substance satisfactory to the City, or the proposed landowner shall otherwise enter into an agreement with Dissemination Agent in form substantially identical to this Disclosure Certificate (except for the identity of the “Developer” therein). From and after the date on which an Assumption Agreement (or replacement agreement in form equivalent to this Disclosure Certificate) is executed with respect to Property, the Developer shall no longer be required to take such Property into account in connection with any Annual Report or Semiannual Report required under Sections 3 and Section 4 hereof; provided however that if, following a conveyance by the Developer of the character described in the first sentence of this Section 6, an Assumption Agreement (or replacement agreement in form equivalent to this Disclosure Certificate) is not executed (other than by reason of the willful misconduct of the Dissemination Agent), the Developer shall continue to include such Property in its Annual Reports or Semiannual Reports and, for purposes of Section 3, the term “Developer” shall include, in addition to Developer, the Person to whom the Property has been conveyed.

**SECTION 7. Termination of Reporting Obligation.** The Developer’s obligations under this Disclosure Certificate shall terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds, (b) the date on which the Developer and all Affiliates of the Developer own, in the aggregate, land in the District that is subject to less than twenty percent (20%) of the Special Tax levied in the District (subject, however, to the last paragraph of Section 6 above), (c) the date on which all Special Tax on the Property owned by the Developer and its Affiliates are paid or prepaid in full (as evidenced by the recording of a Notice of Cancellation of Special Tax Lien by the District with respect to such property), and (d) the date on which the Developer delivers to the City and the Dissemination Agent an opinion of bond counsel acceptable to the City to the effect that the continuing disclosure provided for in this continuing Disclosure Certificate is no longer required under the Rule to allow the Participating Underwriter to deal in the Bonds. 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 Significant Event under Section 5(c).

**SECTION 8. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to act as such under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Willdan Financial Services.

The Dissemination Agent may at any time resign by providing thirty (30) days written notice to the City, the Developer and the Trustee, such resignation to become effective upon acceptance of appointment by a successor Dissemination Agent. Upon receiving notice of such resignation, the City shall promptly appoint a successor Dissemination Agent by an instrument in writing, delivered to the Trustee and the Developer. If no appointment of a successor Dissemination Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Dissemination Agent shall have given to the City, the Developer and the Trustee written notice of its resignation, the Dissemination Agent may apply to any court of competent jurisdiction to appoint a successor Dissemination Agent. Said court may thereupon after such notice, if any, as such court may deem proper, appoint a successor Dissemination Agent. The City shall provide the Developer and the Trustee with written notice of the identity of any successor Dissemination Agent appointed or engaged by the City.

**SECTION 9. 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 Sections 3, Section 4 or Section 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal

requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) The undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The proposed amendment or waiver either (i) is approved by Holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holder or Beneficial Owners of the Bonds; and

(d) No amendment increasing or affecting the obligations or duties of the City, the Dissemination Agent or the Trustee shall be made without the consent of such party.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Developer to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Significant Event under Section 5(c).

**SECTION 10. 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 Annual Report, Semiannual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Significant 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 Annual Report or notice of occurrence of a Significant Event.

**SECTION 11. Default.** In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate any Participating Underwriter or 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 Developer 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.

**SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against

any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the 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. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder, promptly following receipt by the City of a written invoice therefor. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Developer and shall not be deemed to be acting in any fiduciary capacity for the Developer, the Bondholders, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notice or other communication to be given by the Developer or the Dissemination Agent under this Disclosure Certificate may be given by delivering the same by first class mail, postage prepaid, messenger, or overnight delivery to the addresses set forth below (until another address is filed by the City or the Dissemination Agent with the Trustee):

To the Developer:	PW Fund Development, LLC 555 Capital Mall, Suite 900 Sacramento, California 95814 Attention: _____
To the City:	City of Stockton 425 North El Dorado Street Stockton, California 95202 Attention: Chief Financial Officer
If to the Trustee:	Wells Fargo Bank, N.A. Corporate Trust Services 333 Market Street, 18th Floor San Francisco, California 94105
If to the Participating Underwriter:	Brandis Tallman LLC 22 Battery Street, Suite 500 San Francisco, CA 94111 Attention: Richard Brandis

If to the Dissemination Agent: Willdan Financial Services  
 27368 Via Industria, Suite 200  
 Temecula, California 92590  
 Attention: \_\_\_\_\_

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Developer, the Trustee, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: \_\_\_\_\_, 2018

PW FUND B DEVELOPMENT, LLC, a California Limited Liability Company  
 By: PW FUND B, LP, a California Limited Partnership, Sole Member  
 By: PWIE GP, LLC, a California Limited Liability Company, General Partner  
 By: PAC WEST INDUSTRIAL EQUITIES, LP, a Delaware Limited Partnership, Sole Member  
 By: PWI GP, LP, a California Limited Partnership, General Partner  
 By: PWI LEAD, LLC, a California Limited Liability Company, General Partner

By: \_\_\_\_\_  
 Kevin Ramos, Investment Committee Chair

By: \_\_\_\_\_  
 Larry Allbaugh, Member

The undersigned hereby agrees to act as  
 Dissemination Agent pursuant to the terms  
 and conditions of this Continuing Disclosure Certificate

WILLDAN FINANCIAL SERVICES

By: \_\_\_\_\_  
 Authorized Officer

**EXHIBIT A****NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Stockton

Name of Bond Issue: Community Facilities District No. 2018-1 (Arch Road/Newcastle Road)  
Special Tax Bonds, Series 2018

Date of Issuance: \_\_\_\_\_, 2018

NOTICE IS HEREBY GIVEN that PW Fund B Development, LLC (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2018 executed by the Developer for the benefit of the Holders and Beneficial Owners of the above-referenced bonds. The Developer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

PW FUND B DEVELOPMENT, LLC, a California Limited Liability Company

By: PW FUND B, LP, a California Limited Partnership, Sole Member

By: PWIE GP, LLC, a California Limited Liability Company, General Partner

By: PAC WEST INDUSTRIAL EQUITIES, LP, a Delaware Limited Partnership, Sole Member

By: PWI GP, LP, a California Limited Partnership, General Partner

By: PWI LEAD, LLC, a California Limited Liability Company, General Partner

By: \_\_\_\_\_  
Kevin Ramos, Investment Committee Chair  
[Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2018]

By: \_\_\_\_\_  
Larry Allbaugh, Member  
[Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2018]

cc: City of Stockton  
425 North El Dorado Street  
Stockton, CA 95202-1997

[Wells Fargo Bank, N.A., as Trustee  
333 Market Street, 18<sup>th</sup> Floor  
San Francisco, CA 94105]

**APPENDIX F**  
**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

City of Stockton  
Stockton, California

City of Stockton Community Facilities District No. 2018-1  
(Arch Road/Newcastle Road) Special Tax Bonds, Series 2018  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Stockton (the “City”) of \$\_\_\_\_\_ aggregate principal amount of its Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Special Tax Bonds, Series 2018 (the “Bonds”), issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (constituting Sections 53311 *et. seq.*, of the Government Code of the State of California, as amended) and an Indenture dated as of \_\_\_\_ 1, 20\_\_ (the “Indenture”), between the City and Wells Fargo Bank, N.A., as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the City dated the date hereof (the “Tax Certificate”), the opinions of counsel to the City and counsel to the Trustee, certifications of the City and the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City.

Certain requirements, agreements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond on or after any such change that occurs or action that is taken upon the advice or approval of bond counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof and we have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and

validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Indenture, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Our engagement with respect to the Bonds has concluded with their issuance and we disclaim any obligation to update this opinion. We have assumed compliance with all agreements and covenants contained in the Indenture and the Tax Certificate, including (without limitation) agreements and covenants necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. We also express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we have undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special tax obligations of the City payable solely from the proceeds of the Special Tax and certain funds and accounts held under the Indenture to the extent specified in the Indenture.
2. The Indenture has been duly executed and delivered, and constitutes the valid and binding obligation of, the City.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

## APPENDIX G

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption premium, if any, and interest with respect to the Bonds to DTC, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the City of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The City, the Trustee and the Underwriter understand that the current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with Participants are on file with 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 certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest 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 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](http://www.dtcc.com).

Purchases of the 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 the 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 the 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 Indenture. For example, Beneficial Owners of the 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 each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest 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 City 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 City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Bonds to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the City nor the Trustee take any responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the City nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

The City and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the City nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.