

PRELIMINARY OFFICIAL STATEMENT DATED AS OF NOVEMBER __, 2018

NEW ISSUE-FULL BOOK ENTRY

NO RATING

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the Stockton Public Financing Authority and the City of Stockton, California with certain covenants, interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes, and (b) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations for taxable years that began prior to January 1, 2018. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS—Tax Matters."



\$25,060,000*
STOCKTON PUBLIC FINANCING AUTHORITY
REVENUE BONDS
(ARCH ROAD EAST CFD NO. 99-02)
SERIES 2018A

Dated: Date of Delivery

Due: September 1, as shown on inside cover

Authority for Issuance. The above-captioned bonds (the "Bonds") are being issued by the Stockton Public Financing Authority (the "Authority"), pursuant to Article 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code, under an Indenture of Trust dated as of December 1, 2018 (the "Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and pursuant to a Resolution adopted by the Board of Directors of the Authority on November 6, 2018. See "THE BONDS—Authority for Issuance."

Use of Proceeds. The Bonds are being issued to (i) acquire two series of special tax bonds to be issued by the City of Stockton, California (the "City") concurrently with the issuance of the Bonds (the "CFD Bonds"), (ii) fund a debt service reserve fund for the Bonds, and (iii) pay costs of issuance of the Bonds and of the CFD Bonds. See "FINANCING PLAN."

Security and Sources of Payment for the Bonds. The Bonds are payable solely from "Revenues" pledged by the Authority under the Indenture, which consist primarily of amounts received from the payment of debt service on the CFD Bonds. See "SECURITY FOR THE BONDS."

Security for the CFD Bonds. The CFD Bonds are payable from special taxes levied by the City (the "Special Taxes") on certain parcels within the City of Stockton Arch Road East Community Facilities District No. 99-02 (the "CFD"). See "THE CFD" and "SECURITY FOR THE CFD BONDS."

Bond Terms. The Bonds will be issued in denominations of \$5,000 or any integral multiple of \$5,000. Interest is payable semiannually on each March 1 and September 1, commencing March 1, 2019, to the Owners of record as of the Record Date. Payment will be made. The "Record Date" for the Bonds is the 15th day of the calendar month preceding an Interest Payment Date, whether or not such day is a Business Day. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee's books. See "THE BONDS - Bond Terms" and "- Book-Entry Only System."

Redemption. The Bonds are subject to optional redemption, mandatory sinking fund redemption and mandatory special redemption from the proceeds of any early redemption of CFD Bonds as a result of Special Tax prepayments. See "THE BONDS—Redemption."

Risk Factors. The Bonds may not be appropriate investments for certain individuals. See "RISK FACTORS" for a discussion of the risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are limited obligations of the Authority payable solely from and secured solely by the revenues and funds pledged therefor under the Indenture. The Bonds are not a debt or liability of the City or the State of California or any political subdivision thereof other than the Authority and then only to the limited extent set forth in the Indenture, and the faith and credit of the Authority, the City or the State or any of its political subdivisions are not pledged to the payment of principal of, premium, if any, or interest on the Bonds, and none of the Authority (except to the limited extent described herein), the City or the State or any of its political subdivisions is liable therefor. Neither the Bonds nor the CFD Bonds constitute an indebtedness of the Authority, the City or the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

Maturity Schedule
(see inside cover)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, Larkspur, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney, for the Authority by Quint & Thimmig LLP, serving as Disclosure Counsel to the Authority for the Bonds, and for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about December __, 2018.



RBC Capital Markets

The date of this Official Statement is December __, 2018.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE

\$26,060,000*
STOCKTON PUBLIC FINANCING AUTHORITY
REVENUE BONDS
(ARCH ROAD EAST CFD NO. 99-02)
SERIES 2018A

\$_____ Serial Bonds
 (CUSIP Prefix†: 861395)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix
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\$_____ % Term Bond due September 1, ____; Yield: _____%; Price: _____; CUSIP†: _____
 \$_____ % Term Bond due September 1, 2043; Yield: _____%; Price: _____; CUSIP†: _____

* Preliminary, subject to change.

† Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. None of the City, the Authority or the Underwriter assumes any responsibility for the accuracy of CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations with respect to the Bonds, or the CFD Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the CFD or any other parties described in this Official Statement, or in the condition of property within the CFD since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority and the City do not plan to issue any updates or revisions to those forward-looking statements if or when any expectations, or events, conditions or circumstances on which such statements are based occur.

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

**STOCKTON PUBLIC FINANCING AUTHORITY
and
CITY OF STOCKTON, CALIFORNIA
BOARD OF DIRECTORS OF THE AUTHORITY
AND MEMBERS OF THE CITY COUNCIL**

Michael D. Tubbs, *Chair and Mayor*
Elbert H. Holman, Jr., *Vice Chair and Councilmember, District 1*
Dan Wright, *Member and Councilmember, District 2*
Susan Lofthus, *Member and Councilmember, District 3*
Susan Lenz, *Member and Councilmember, District 4*
Christina Fugazi, *Member and Vice Mayor, District 5*
Jesús Andrade, *Member and Councilmember, District 6*

OFFICERS

Kurt O. Wilson, *City Manager*
Matt Paulin, *Controller/Treasurer and Chief Financial Officer*
Kevin Beltz, *Program Manager*
Christian Clegg, *Interim City Clerk*
John M. Luebberke, *City Attorney*

FINANCING SERVICES

Municipal Advisor
Del Rio Advisors, LLC
Modesto, California

Bond Counsel and Disclosure Counsel
Quint & Thimmig LLP
Larkspur, California

Special Tax Administrator
Willdan Financial Services
Temecula, California

Appraiser
Integra Realty Resources
San Francisco, California

Trustee and Escrow Bank
Wells Fargo Bank, National Association
San Francisco, California

Verification Agent
Grant Thornton, LLP
Minneapolis, Minnesota

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REGIONAL LOCATION MAP

STOCKTON • CALIFORNIA



OFFICIAL STATEMENT

\$25,060,000*
STOCKTON PUBLIC FINANCING AUTHORITY
REVENUE BONDS
(ARCH ROAD EAST CFD NO. 99-02)
SERIES 2018A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the “**Official Statement**”), is to provide certain information concerning the sale and issuance of the above-captioned revenue bonds (the “**Bonds**”) by the Stockton Public Financing Authority (the “**Authority**”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings given to them in the Indenture (referred to below), or in the Fiscal Agent Agreement (referred to below). See “APPENDIX C—Summary of Principal Legal Documents.”

Authority for Issuance

The Bonds are being issued by the Authority under Article 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “**Act**”), under an Indenture of Trust dated as of December 1, 2018 (the “**Indenture**”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “**Trustee**”), and pursuant to a Resolution adopted by the Board of Directors of the Authority on November 6, 2018 (the “**Authority Resolution**”). See “THE BONDS—Authority for Issuance.”

Financing Purposes

The Bonds are being issued for the following purposes: (i) to acquire two series of special tax bonds (collectively, the “**CFD Bonds**”) to be issued by the City of Stockton (the “**City**”) concurrently with the issuance of the Bonds, (ii) to fund a debt service reserve fund for the Bonds, and (iii) to pay costs of issuance of the Bonds and the CFD Bonds. The CFD Bonds are being issued by the City for and on behalf of the City’s Arch Road East Community Facilities District No. 99-02 (the “**CFD**”) to (i) refund a series of special tax bonds issued by the City for the CFD in 2007, (ii) provide funds for certain public improvements, and (iii) pay interest on a portion of the CFD Bonds due on March 1, 2019. See “INTRODUCTION—The CFD Bonds.” See also “FINANCING PLAN” for a further description of the uses of the proceeds of the Bonds and of the CFD Bonds.

* Preliminary, subject to change.

Description of the Bonds

The Bonds will be issued in denominations of \$5,000 or any integral multiple of \$5,000. Interest is payable semiannually on each March 1 and September 1, commencing March 1, 2019. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee’s books. See “THE BONDS—Book-Entry Only System” and APPENDIX G—DTC and The Book-Entry Only System.

Redemption

The Bonds are subject to optional redemption, mandatory sinking fund redemption, and mandatory special redemption from the proceeds of any early redemption of CFD Bonds as a result of Special Tax prepayments. See “THE BONDS—Redemption.”

Security and Sources of Payment for the Bonds

The Bonds are payable from the **Revenues**, which consist primarily of debt service payments made by the City on the CFD Bonds, as further described below. The aggregate debt service on the CFD Bonds has been structured so that the Authority will receive sufficient funds, in both time and amount, to enable it to pay the scheduled debt service on the Bonds. A debt service reserve fund (the “**Reserve Fund**”) has been established under the Indenture to provide additional security for the payment of the Bonds. See “SECURITY FOR THE BONDS.”

The CFD Bonds

The CFD Bonds consist of two series of special tax bonds being issued by the City under the Mello-Roos Community Facilities Act of 1982, as amended (the “**Mello-Roos Act**”) for the CFD, including the City of Stockton Arch Road East Community Facilities District No. 99-02 2018 Special Tax Refunding Bonds Series 2018A (the “**Series 2018A CFD Bonds**”), and the City of Stockton Arch Road East Community Facilities District No. 99-02 2018 Special Tax Bonds Series 2018B (the “**Series 2018B CFD Bonds**”).

Authority for Issuance. The CFD Bonds are being issued on a parity basis under the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “**Mello-Roos Act**”), and a Fiscal Agent Agreement, dated as of December 1, 2018 (the “**Fiscal Agent Agreement**”), between the City, for and on behalf of the CFD, and Wells Fargo Bank, National Association, as fiscal agent (the “**Fiscal Agent**”).

Purposes. The Series 2018A CFD Bonds are being issued to refund a series of special tax bonds issued in 2007 by the City for the CFD (the “**Prior CFD Bonds**”). The Series 2018B CFD Bonds are being issued to provide funds to finance public improvements authorized to be funded by the CFD, and to pay interest due on the Series 2018B CFD Bonds on March 1, 2019. See “FINANCING PLAN.”

Security and Sources of Payment. The CFD Bonds are payable on a parity basis from “**Net Taxes**” resulting from the levy of Special Taxes on Taxable Parcels within the CFD, which are generally defined as gross proceeds of the Special Taxes levied on certain property in the CFD and received by the City, less amounts set aside to pay Administrative Expenses, and not including any penalties collected in connection with

delinquent Special Taxes or any interest so collected in excess of the interest due on the CFD Bonds. See “SECURITY FOR THE CFD BONDS” and “THE CFD.”

Value of Taxable Parcels. The Taxable Parcels in the CFD include eleven separate San Joaquin County Assessor’s Parcels, six of which have been approved with structures consisting of warehouses/distribution centers and five of which are currently undeveloped. One entity, Prologis, Inc., currently owns four of the developed parcels, and one entity, Norcal Landco LLC currently owns four of the undeveloped parcels. The current aggregate County assessed value of the six developed parcels responsible for approximately 49% of the fiscal year 2018-19 annual Special Tax levy on the Taxable Parcels is \$162,923,573. To determine the value of the five undeveloped parcels, the City commissioned an appraisal of those parcels (the “Appraisal”). The Appraisal by Integra Realty Resources, San Francisco, California (the “Appraiser”), dated October 18, 2018 and with a date of value of September 17, 2018, determined, subject to various assumptions and limiting conditions as well as a certain hypothetical condition, that the aggregate of the market value of one of those parcels, together with the market and bulk sale value of the other four such parcels, is \$42,670,000. The five undeveloped parcels are responsible for approximately 51% of the fiscal year 2018-19 annual special tax levy on the Taxable Parcels. See “THE CFD—Value-to-Burden Ratios.”

Future Parity CFD Bonds. The Fiscal Agent Agreement allows for the issuance by the City of future special tax bonds for the CFD secured on a parity basis with the CFD Bonds (“Parity CFD Bonds”) to fund the remaining improvements authorized to be funded by the CFD and to refund outstanding bonds issued by the City for the CFD, subject to the conditions set forth in the Fiscal Agent Agreement. See “SECURITY FOR THE CFD BONDS—Parity CFD Bonds” and “THE CFD—The Improvements.”

Debt Service Reserve

The Bonds are further secured by a Reserve Fund, which will be held by the Trustee under the Indenture, and which will be maintained in an amount equal to the Reserve Requirement (as defined herein) for the Bonds. On the Closing Date, the Authority will deposit \$_____ of the proceeds of the Bonds in the Reserve Fund, being an amount equal to the initial Reserve Requirement. See “SECURITY FOR THE BONDS—Reserve Fund.”

Teeter Plan; Foreclosure Covenant

The City is located in San Joaquin County (the “County”), which currently applies the Teeter Plan to *ad valorem* property taxes, special taxes and assessments and reassessments. Under the Teeter Plan, the County remits to the applicable taxing entities the full amounts owing of such taxes and assessments without regard to any delinquencies in such payments. The County may at any time discontinue application of the Teeter Plan with respect to any one or more parcels of real property subject to a Special Tax levy. See “THE CFD—Delinquencies.”

To provide additional security for the CFD Bonds, the City has agreed to a foreclosure covenant in the Fiscal Agent Agreement, as described under “SECURITY FOR THE CFD BONDS—Covenants of the City.”

Limited Obligations; Risk Factors

The Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues and funds pledged therefor under the Indenture. The Bonds are not a debt or liability of the City or the State of California or any political subdivision thereof other

than the Authority and then only to the limited extent set forth in the Indenture, and the faith and credit of the Authority, the City or the State or any of its political subdivisions are not pledged to the payment of principal of, premium, if any, or interest on the Bonds, and none of the Authority (except to the limited extent set forth in the Indenture), the City or the State or any of its political subdivisions is liable therefor, nor in any event will the Bonds or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Authority pledged therefor in the Indenture. Neither the Bonds nor the CFD Bonds constitute an indebtedness of the Authority, the City or the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

For a discussion of some of the risks associated with the purchase of the Bonds, see “RISK FACTORS.”

Legal Matters

The legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Quint & Thimmig LLP, Larkspur, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds, including certain exemptions to the tax treatment of interest on the Bonds, are described more fully under the heading “LEGAL MATTERS—Tax Matters” herein. Certain legal matters will be passed on for the Authority by Quint & Thimmig LLP, in its capacity as Disclosure Counsel to the Authority for the Bonds, and for the Authority and the City by the City Attorney. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California.

Professional Services

Wells Fargo Bank, National Association, will act as Trustee for the Bonds, as Escrow Bank under the Escrow Agreement described below and as Fiscal Agent for the CFD Bonds.

Del Rio Advisors, LLC, Modesto, California (the “Municipal Advisor”) advised the Authority as to the financial structure and certain other matters relating to the Bonds.

Willdan Financial Services acts as Special Tax Administrator for the CFD, and is expected to assist the City as Dissemination Agent under the Continuing Disclosure Certificate referred to herein.

Fees payable to Bond Counsel, Disclosure Counsel, Underwriter’s Counsel, the Municipal Advisor and Wells Fargo Bank, National Association for its several roles are contingent upon the sale and delivery of the Bonds.

Continuing Disclosure

For purposes of complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “**Rule**”), the City and Norcal Landco, LLC, the owner of most of the undeveloped land in the CFD, have agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the “**MSRB**”) certain annual financial information and other information. The City and Norcal Landco, LLC each have further agreed to provide notice of certain enumerated events, and Norcal Landco, LLC has agreed to provide mid-year reports with certain limited information. Norcal Landco, LLC’s annual, mid-year and enumerated event reporting obligations will terminate if and when Norcal Landco, LLC and any affiliate thereof, or successor thereto, owns parcels in the CFD that are subject to less than twenty percent (20%) of the annual Special Tax levy. These covenants have been made in order

to assist the Underwriter in complying with the Rule. See “CONTINUING DISCLOSURE,” and Appendices E and F for a description of the specific nature of the annual reports and notices of significant events, as well as the terms of the Continuing Disclosure Certificate of the City and the Continuing Disclosure Agreement of Norcal Landco, LLC, respectively, pursuant to which such reports and notices are to be made.

Other Information

Copies of the Indenture, the Fiscal Agent Agreement and certain other documents referenced in this Official Statement are available for inspection at the office of, and (upon written request and payment to the City of a charge for copying, mailing and handling) are available prior to the issuance of the Bonds from the City, 425 North El Dorado Street, Stockton, California 95202 Attention: Chief Financial Officer; and thereafter from the Trustee, Wells Fargo Bank, National Association, 333 Market Street, 18th Floor, San Francisco, California 94105 Attention: Corporate Trust Department.

FINANCING PLAN

Purpose of the Bonds

The Bonds are being issued (i) to acquire the two series of CFD Bonds, which will be issued by the City concurrently with the issuance of the Bonds, (ii) to fund a debt service reserve fund for the Bonds, and (v) to pay costs of issuance of the Bonds and the CFD Bonds. The aggregate debt service on the CFD Bonds has been structured so that the Authority will receive sufficient funds, in both time and amount, to enable it to pay debt service on the Bonds. See “THE BONDS—Debt Service Coverage on the Bonds.”

Purpose of the CFD Bonds

The CFD Bonds consist of two series of special tax bonds issued on a parity basis under the Fiscal Agent Agreement simultaneously with the issuance of the Bonds under the Indenture. The Series 2018A CFD Bonds are being issued to refund the outstanding Prior CFD Bonds, and the Series 2018B CFD Bonds are being issued to finance public improvements authorized to be funded by the CFD and to pay interest on the Series 2018B CFD Bonds due on March 1, 2019.

Refunding of Prior CFD Bonds. The Prior CFD Bonds were issued in the original principal amount of \$19,065,000 on September 6, 2007 (of which \$17,760,000 will be outstanding as of the date of issuance of the Bonds (the “**Closing Date**”) and will be redeemed with proceeds of the Series 2018A CFD Bonds) to refund bonds issued by the City for the CFD in 1999 and 2002, as well as to fund public improvements authorized to be funded by the CFD. Following the issuance of the CFD Bonds, the CFD Bonds will be the only outstanding bonds payable from the Special Taxes levied on property in the CFD; however, the Fiscal Agent Agreement allows for the issuance of future Parity CFD Bonds subject to the requirements of the Fiscal Agent Agreement. See “SECURITY FOR THE CFD BONDS—Parity CFD Bonds.”

On the Closing Date, the City and Wells Fargo Bank, National Association, as fiscal agent for the Prior CFD Bonds (the “**Escrow Bank**,”) will enter into an Escrow Agreement (the “**Escrow Agreement**”) with respect to the refunding and defeasance of the Prior CFD Bonds. The City will cause proceeds of the Series 2018A CFD Bonds and amounts held with respect to the Prior CFD Bonds to be transferred to the Escrow Bank for deposit into a refunding fund (the “**Escrow Fund**”). The funds deposited to the Escrow Fund will be invested in certain federal securities or held in cash by the Escrow Bank, as provided in the Escrow Agreement. The

amounts deposited to the Escrow Fund will be sufficient, without reinvestment, as verified by Grant Thornton, LLP, to provide for the redemption of the outstanding Prior CFD Bonds on March 1, 2019 at a redemption price of 101% of the principal of the Prior CFD Bonds to be redeemed together with accrued interest to the redemption date. Upon deposit of the aforementioned funds in the Escrow Fund on the Closing Date, the Prior CFD Bonds will be legally defeased, and the Prior CFD Bonds will no longer be payable from special tax levies on properties in the CFD.

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Prior CFD Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service on the CFD Bonds or the Bonds.

Funding for Improvements. Proceeds of the Series 2018B CFD Bonds not to be used to pay interest on the Series 2018B CFD Bonds due on March 1, 2019 will be deposited to an Improvement Fund established and held by the Fiscal Agent under the Fiscal Agent Agreement. Amounts in the Improvement Fund will be used to fund certain public improvements authorized to be funded by the CFD, including the acquisition of land for and construction of a detention basin and the construction of a pump station (collectively, the “Improvements”), both of which are required to be completed in order for the continued development of certain property in the CFD. See “THE CFD—The Improvements.” Amounts in the Improvement Fund are not available for payment of the debt service on the CFD Bonds or the Bonds.

The CFD is authorized to fund the remaining public improvement to be financed by the CFD, and the Fiscal Agent Agreement allows for the issuance of Parity CFD Bonds subject to certain conditions proceeds of which are expected to be used to finance such additional improvement. See “SECURITY FOR THE CFD BONDS—Parity CFD Bonds” and “THE CFD—The Improvements.”

Estimated Sources and Uses of Funds

The Bonds. The anticipated sources and uses of funds relating to the Bonds are as follows:

<u>Sources:</u>	
Principal Amount of the Bonds	\$
Plus/Less: Net Original Issue Premium/Discount	
Less: Underwriter's Discount	
<i>Total Sources</i>	\$
<u>Uses:</u>	
Deposit to Purchase Fund ⁽¹⁾	\$
Deposit to Reserve Fund ⁽²⁾	
Deposit to Costs of Issuance Fund ⁽³⁾	
<i>Total Uses</i>	\$

(1) To be used to acquire the CFD Bonds on the Closing Date. See “FINANCING PLAN—Purpose of the Bonds.”

(2) Equal to the initial Reserve Requirement. See “SECURITY FOR THE BONDS—Reserve Fund.”

(3) To be used to pay the costs of issuing the Bonds and the CFD Bonds, including Trustee, Fiscal Agent and Escrow Bank fees, Bond Counsel and Disclosure Counsel fees, Municipal Advisor and Special Tax Consultant fees, and printing costs, among other costs.

The CFD Bonds. The anticipated sources and uses of funds relating to the CFD Bonds are as follows:

Sources:

Purchase Price of CFD Bonds ⁽¹⁾	\$
Amounts held with respect to Prior CFD Bonds	

Uses:

Refunding of Prior CFD Bonds ⁽²⁾	\$
Deposit to Improvement Fund ⁽³⁾	
Deposit to Interest Account ⁽⁴⁾	
<i>Total Uses</i>	\$ _____

- (1) Net of Bond proceeds used to pay costs of issuance of the Bonds and the CFD Bonds, and to be deposited to the Reserve Fund. See “FINANCING PLAN—Sources and Uses of Funds - The Bonds.”
- (2) See “FINANCING PLAN—Purpose of the CFD Bonds - Refunding of Prior CFD Bonds.”
- (3) See “FINANCING PLAN—Purpose of the CFD Bonds-Funding for Improvements,” and “THE CFD—The Improvements.”
- (4) To be used to pay interest on the Series 2018B CFD Bonds due on March 1, 2019.

THE BONDS

This section provides a summary of certain of the provisions of the Indenture relating to the Bonds. See “APPENDIX C—Summary of Principal Legal Documents” for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Authority for Issuance

The Bonds are being issued under the Act, the Authority Resolution, which was adopted by the Board of Directors of the Authority on November 6, 2018, and the Indenture. Under the Authority Resolution, the Bonds may be issued in a principal amount not to exceed \$27,500,000.

Bond Terms

General. The Bonds will be dated their date of delivery, and will be issued in the aggregate principal amounts set forth on the inside cover page hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing March 1, 2019 (each, an “**Interest Payment Date**”), and will mature in the amounts and on the dates set forth on the inside cover page hereof.

The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

Payment of Interest and Principal. Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner of such Bond as of the applicable **Record Date** (the 15th day of the calendar month preceding an Interest Payment Date, whether or not such day is a Business Day), such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail, postage prepaid, to the Owner at the address of such Owner as it appears on the Bond Register or by wire transfer to an account in the United States of America made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds

of a Series provided to the Trustee in writing at least 5 Business Days before the Record Date for such Interest Payment Date.

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender of such Bond, at maturity or the prior redemption of such Bond, at the Trust Office of the Trustee.

Calculation of Interest. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2019, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest on such Bond is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on such Bond, or from the Closing Date if no interest has been paid or made available for payment.

Redemption

Optional Redemption. The Bonds may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any Interest Payment Date on or after September 1, ____, as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, if any redemption of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, and by lot within a maturity, at a redemption price equal to principal amount of the Bonds to be redeemed, plus accrued interest on the Bonds to the date of redemption, without premium.

The Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such optional redemption of the CFD Bonds and redemption of Bonds, the principal and interest generated from the remaining CFD Bonds is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding under the Indenture following such optional redemption.

Special Mandatory Redemption. The Bonds are subject to special mandatory redemption on any Interest Payment Date from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes, in whole or in part, from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such special mandatory redemption of the CFD Bonds and special mandatory redemption of Bonds, the principal and interest generated from the remaining CFD Bonds is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding under the Indenture following such redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing September 1, ____ are subject to mandatory sinking payment redemption in part on September 1, ____, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of their principal amount to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

____ Term Bonds

Mandatory Redemption Date (September 1)	Sinking Fund Payment
_____	_____
	\$

The Bonds maturing September 1, 2043 are subject to mandatory sinking payment redemption in part on September 1, ____, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of their principal amount to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

2043 Term Bonds

Mandatory Redemption Date (September 1)	Sinking Fund Payment
_____	_____
	\$

The amounts in the foregoing tables shall be reduced, as a result of any prior partial redemption of the ____ Term Bonds or the 2043 Term Bonds, pursuant to the optional redemption or special mandatory redemption provisions of the Indenture described above, as specified by the Authority to the Trustee, such that the remaining scheduled payments of principal and interest on the CFD Bonds will be sufficient on a timely basis to pay debt service on the Bonds. The Trustee shall be entitled to rely upon a Certificate of the Authority as proof of such sufficiency.

Purchase of Bonds in Lieu of Redemption. In lieu of redemption under the Indenture, amounts held by the Trustee in the Revenue Fund for such redemption shall, at the written request of the Authority received by the Trustee prior to the selection of Authority Bonds for redemption, be applied by the Trustee to the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the Authority may in its discretion direct, but not to exceed the redemption price which would be payable if such Bonds were redeemed. The aggregate principal amount of Bonds of the same maturity purchased in lieu of redemption shall not exceed the aggregate principal amount of Bonds of such maturity which would otherwise be subject to such redemption. Any Bonds so purchased in lieu of redemption shall be treated as if such Bonds were redeemed, for all purposes of the Indenture.

Notice of Redemption. The Trustee on behalf, and at the expense, of the Authority will mail (by first class mail, postage prepaid) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption.

Neither failure to receive any such notice so mailed nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the

accrual of interest on such Bonds. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue after the redemption date.

In addition to the foregoing notice, further notice will be given by the Trustee in said form by first class mail to any Bondowner whose Bond has been called for redemption but who has failed to submit his Bond for payment by the date which is 60 days after the redemption date, but no defect in said further notice nor any failure to give or receive all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption.

Rescission of Redemption Notice. Any redemption notice may specify that redemption on the specified date will be subject to receipt by the Authority of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the Authority nor the Trustee will have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys.

The Authority has the right to rescind any redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Selection of Bonds of a Maturity for Redemption. Unless otherwise provided under the Indenture, whenever provision is made in the Indenture or in the applicable Supplemental Indenture for the redemption of fewer than all of the Bonds of a maturity of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 authorized denominations, and such separate authorized denominations will be treated as separate Bonds which may be separately redeemed.

Partial Redemption of Bonds. If only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption will have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue on such Bonds from and after the redemption date specified in such notice.

Book-Entry Only System

General. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “**Beneficial Owners**”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in this Official Statement) as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “APPENDIX G—DTC and the Book-Entry-Only System.”

If the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See “–Registration, Transfer and Exchange of Bonds” below.

Payments Made to DTC. While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in “APPENDIX G—DTC and the Book-Entry-Only System.”

Registration, Transfer and Exchange of Bonds

Bond Register. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which will be the Bond Register and will at all times during regular business hours be open to inspection by the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as provided under the Indenture.

The following provisions regarding the transfer and exchange of the Bonds apply only during any period in which the Bonds are not subject to DTC’s book-entry system. While the Bonds are subject to DTC’s book-entry system, their exchange and transfer will be affected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Transfer of Bonds. Any Bond may in accordance with its terms, be transferred, upon the Bond Register, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Whenever any Bond will be surrendered for transfer, the Authority will execute and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like Series, tenor, maturity and aggregate principal amount. No Bonds selected for redemption will be subject to transfer, nor will any Bond be subject to transfer during the 15 days prior to the selection of Bonds for redemption.

The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the Authority. However, the Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen Bonds.

Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee for Bonds of the same Series, tenor and maturity and of other authorized denominations. No Bonds selected for redemption will be subject to exchange, nor will any Bond be subject to exchange during the 15 days prior to the selection of Bonds for redemption. The Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the exchange of any Bonds.

Debt Service Schedule for the Bonds

The table below sets forth the scheduled annual debt service for the Bonds, assuming no optional or special mandatory redemptions of the Bonds prior to their respective maturities. The scheduled aggregate debt service on the Bonds is less than the aggregate of the scheduled debt service on the CFD Bonds. See “THE BONDS—Debt Service Coverage on the Bonds.”

Table 1
Stockton Public Financing Authority
Annual Debt Service Schedule for the Bonds

Year Ending September 1	Principal⁽¹⁾	Interest	Total
2019	\$	\$	\$
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
Totals	\$	\$	\$

(1) Includes mandatory sinking fund payments.

Debt Service Coverage on the Bonds

The following table sets forth the scheduled annual debt service on the CFD Bonds and the Bonds, and the percentage by which the scheduled annual debt service on the CFD Bonds exceeds the scheduled annual debt service on the Bonds.

Table 2
Stockton Public Financing Authority
Debt Service Coverage from CFD Bonds⁽¹⁾

Year Ending (September 1)	Bonds Debt Service	CFD Bonds Debt Service⁽²⁾	Coverage From CFD Bonds⁽³⁾
2019	\$ 1,107,113	\$ 1,224,719	1.11
2020	1,471,769	1,635,806	1.11
2021	1,507,831	1,669,269	1.11
2022	1,546,731	1,705,209	1.10
2023	1,583,606	1,738,199	1.10
2024	1,623,331	1,774,164	1.09
2025	1,660,613	1,807,114	1.09
2026	1,705,313	1,847,174	1.08
2027	1,747,738	1,883,471	1.08
2028	1,792,000	1,921,166	1.07
2029	1,837,750	1,960,286	1.07
2030	1,885,000	1,998,559	1.06
2031	1,932,750	2,036,386	1.05
2032	1,985,750	2,078,466	1.05
2033	2,043,500	2,124,194	1.04
2034	2,095,500	2,162,964	1.03
2035	2,156,750	2,209,501	1.02
2036	2,216,500	2,253,148	1.02
2037	2,279,500	2,298,600	1.01
2038	1,525,250	1,525,250	1.00
2039	1,554,250	1,554,250	1.00
2040	1,584,000	1,584,000	1.00
2041	1,614,250	1,614,250	1.00
2042	1,649,750	1,649,750	1.00
2043	1,680,000	1,680,000	1.00

(1) Preliminary, subject to change.

(2) Assumes no delinquencies in payment of Special Taxes levied on properties in the CFD, and thereby no failure by the City to timely pay the scheduled principal of and interest on the CFD Bonds.

(3) Coverage from CFD Bonds is based on a 100 basis point interest rate spread between the CFD Bonds and the Bonds during the period from September 1, 2019 through September 1, 2037, which is the final maturity date of the Series 2018A CFD Bonds.

Source: RBC Capital Markets.

Under the Indenture, on September 1 of each year, after making transfers to the Interest Account and the Principal Account of the Revenue Fund to pay debt service then due on the Bonds, and after any necessary transfer to the Reserve Fund to increase the amount therein to the amount of the then Reserve Requirement, all amounts remaining in the Revenue Fund will be transferred by the Trustee to the Residual Fund, will no longer be subject to the lien of the Indenture, and may be used for any lawful purpose of the Authority. See "SECURITY FOR THE BONDS—Revenues; Flow of Funds – Residual Fund."

SECURITY FOR THE BONDS

This section provides a summary of the security for the Bonds and certain provisions of the Indenture. See "APPENDIX C—Summary of Principal Legal Documents" for a more complete

summary of the Indenture. Capitalized terms used but not defined in this section have the meanings set forth in APPENDIX C.

General

Revenues. As described below, the Bonds are payable primarily from Revenues, consisting of amounts received by the Authority as the payment of debt service on the CFD Bonds. Debt service on the CFD Bonds is designed to be sufficient, in time and amount, to enable the Authority to pay debt service on the Bonds. The Indenture defines “Revenues” as follows: (a) all amounts received from the CFD Bonds; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture (other than the Rebate Fund and the Residual Fund); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture (other than investment income on moneys held in the Rebate Fund and the Residual Fund).

Limited Obligations. The Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues, all of the right, title and interest of the Authority in the CFD Bonds, and amounts in the Reserve Fund, subject to the terms of the Indenture. The Bonds are not a debt or liability of the City, the State of California or any political subdivisions thereof other than the Authority and then only to the limited extent described in this Official Statement, and the faith and credit of the Authority, the City, the State or any of its political subdivisions are not pledged to the payment of principal of, premium, if any, or interest on the Bonds and none of the Authority (except to the extent set forth in the Indenture), the City, or the State or any of its political subdivisions is liable therefor, nor in any event will the Bonds or any interest or redemption premium thereunder be payable out of any funds or properties other than those of the Authority as set forth in the Indenture. Neither the Bonds nor the obligation to make payments on the CFD Bonds constitute an indebtedness of the Authority, the City (except to the limited extent described herein), the State nor any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

Revenues; Flow of Funds

Revenues. The Bonds are secured by a first lien on and pledge of all of the Revenues. So long as any of the Bonds are Outstanding, the Revenues will not be used for any purpose except as is expressly permitted by the Indenture.

Collection by the Trustee. The Trustee will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. Subject to the provisions of the Indenture regarding the remedies and rights of the Bond Owners, the Trustee is also entitled to and will take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

Deposit of Revenues. All Revenues derived from the CFD Bonds will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund.

Application of Revenues. On each Interest Payment Date and date for redemption of the Bonds, the Trustee will transfer from the Revenue Fund, and deposit into the following respective accounts for the Bonds, the following amounts in the following order of priority, the

requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. On each Interest Payment Date and redemption date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date. No deposit need be made into the Interest Account if the amount contained in such account is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date or redemption date, as applicable.

All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity).

In the event that the amounts on deposit in the Interest Account on any Interest Payment Date or redemption date, after any transfers from the Reserve Fund, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Bonds on a pro rata basis.

Principal Account. On each Interest Payment Date and redemption date on which the principal of the Bonds is payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date; provided, however, that no amount will be deposited to effect an optional redemption or a mandatory special redemption unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect the redemption of the Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Bonds, assuming for such purposes that the City continues to make timely payments on the CFD Bonds not then in default.

All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof or (ii) paying the principal of and premium (if any) on any Bonds upon the redemption thereof. In the event that the amounts on deposit in the Principal Account on any Interest Payment Date or redemption date, after any transfers from the Reserve Fund, are insufficient for any reason to pay the aggregate amount of principal then coming due and payable on the Outstanding Bonds, the Trustee will apply such amounts to the payment of principal on each of the Outstanding Bonds on a pro rata basis.

Deficiencies. If on any Interest Payment Date or date for redemption the amount on deposit in the Revenue Fund is inadequate to make the transfers described above as a result of a payment default on the CFD Bonds, the Trustee will immediately notify the City of the amount needed to make the required deposits under "Application of Revenues" above. In the event that within 5 Business Days of delivering such notice the Trustee receives additional payments from the City to cure such shortfall, the Trustee will deposit such amounts to the account designated in writing by the City.

Deposit into Rebate Fund. On each Interest Payment Date after making the transfers described above, upon receipt of a Request of the Authority to do so, the Trustee will transfer

from the Revenue Fund to the Rebate Fund for deposit in the Rebate Fund the amount specified in such Request.

Residual Fund. On September 1 of each year, after making the deposits described above to be made on such date, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Residual Fund.

Reserve Fund

The Indenture creates a Reserve Fund to be held by the Trustee, and provides that there shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. On the Closing Date, the Authority shall deposit \$_____ of the proceeds of the Bonds into the Reserve Fund, being an amount equal to the initial Reserve Requirement for the Bonds.

If the amounts in the Interest Account or the Principal Account are insufficient to pay the principal of or interest on the Bonds when due, the Trustee shall withdraw from the Reserve Fund for deposit in order of priority in the Interest Account and the Principal Account, as applicable, moneys necessary for such purposes. If on the day prior to any Interest Payment Date the amount in the Reserve Fund is in excess of the Reserve Requirement, the Trustee shall transfer the excess to the Revenue Fund. On the date on which there are no longer any Bonds Outstanding under this Indenture, all amounts in the Reserve Fund shall be transferred to the Residual Fund, or if such fund has theretofore been closed, to the Authority to be used for any lawful purpose.

Residual Fund

Any amounts transferred to the Residual Fund pursuant to the Indenture will no longer be considered Revenues and are not pledged to repay the Bonds.

Additional Bonds

The Authority has covenanted in the Indenture not to issue additional obligations secured by a pledge of the Revenues under the Indenture equally and ratably with Bonds, except that the Authority may issue bonds secured on parity with the Bonds to refund all or a portion of the Bonds. Notwithstanding the foregoing, the City may issue bonds in the future for the CFD secured on a parity with the CFD Bonds under the Fiscal Agent Agreement (referred to in this Official Statement as “Parity CFD Bonds”), subject to the requirements of the Fiscal Agent Agreement. See “SECURITY FOR THE CFD BONDS—Parity CFD Bonds.”

SECURITY FOR THE CFD BONDS

This section provides summaries of the security for the CFD Bonds and certain provisions of the Fiscal Agent Agreement. See “APPENDIX C—Summary of Principal Legal Documents” for a more complete summary of the Fiscal Agent Agreement. Capitalized terms used but not defined in this section have the meanings given to them in APPENDIX C.

General

The CFD Bonds constitute limited obligations of the City that are secured by a first lien on and pledge of, and are payable solely from, Net Taxes (defined below) collected in the CFD and amounts deposited by the City in the Special Tax Fund for the related CFD. The City's

obligation to pay the principal of, premium, if any, and interest on the CFD Bonds is limited to Net Taxes collected in the CFD and amounts in the Special Tax Fund for the CFD.

The CFD Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property, or upon any of its income, receipts or revenues, except the Net Taxes collected in the CFD and amounts in the Special Tax Fund.

Except for the Net Taxes for a CFD, neither the credit nor the taxing power of the City is pledged for the payment of any series of the CFD Bonds or related interest, and the Trustee may not compel the exercise of taxing power by the City or the forfeiture of any of its property. The principal of and interest on the CFD Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction.

Special Taxes; Gross Taxes; Net Taxes

The "**Special Taxes**" for the CFD are levied and collected according to the Amended and Restated Rate, Method of Apportionment and Manner of Collection of Special Tax (the "**Rate and Method**") approved by the qualified electors of the CFD in 2007 (see "THE CFD—History of the CFD"). The "**Net Taxes**" pledged by the City to the CFD Bonds is defined in the Fiscal Agent Agreement as "**Gross Taxes**" minus amounts set aside to pay Administrative Expenses. "**Gross Taxes**" is defined as the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments of, or interest on, such Special Taxes, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest on such amount. "Gross Taxes" does not include any penalties collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the CFD Bonds.

Except for the portion of any Prepayment of Special Taxes to be deposited to the Redemption Account, the Fiscal Agent will, on each date on which the Special Taxes are received from the City, deposit the Special Taxes in the Special Tax Fund held by the Fiscal Agent under the Fiscal Agent Agreement. The Fiscal Agent will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Fiscal Agent Agreement, in the following order of priority, to: (i) the Interest Account of the Special Tax Fund; (ii) the Principal Account of the Special Tax Fund; (iii) the Redemption Account of the Special Tax Fund; and (iv) the Surplus Fund. Amounts in the Interest Account and the Principal Account are used to pay scheduled debt service on the CFD Bonds and any Parity CFD Bonds, amounts in the Redemption Fund are used to pay the redemption price of any CFD Bonds or any Parity CFD Bonds to be redeemed. Amounts in the Surplus Fund are not subject to the lien of the Fiscal Agent Agreement and may be used by the City for any lawful purpose under the Mello-Roos Act. See "APPENDIX C—Summary of Principal Legal Documents."

Priority of Lien

Each installment of the Special Taxes and any interest and penalties on the Special Taxes, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes, the lien of any other community facilities district special taxes and special assessment liens. See the description of direct and overlapping governmental obligations related to the property in the CFD under the heading "THE CFD—Direct and Overlapping Indebtedness."

Covenants of the City

The City has covenanted in the Fiscal Agent Agreement as follows, among other things:

Punctual Payment. It will duly and punctually pay or cause to be paid the principal of and interest on the CFD Bonds issued under the Fiscal Agent Agreement, together with the premium, if any to the extent that Net Taxes and other amounts pledged under the Fiscal Agent Agreement are available for such payment.

Against Encumbrance. It will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Fiscal Agent Agreement, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the CFD Bonds, except as permitted by the Fiscal Agent Agreement. Nothing in the Fiscal Agent Agreement prevents the City from issuing or incurring indebtedness that is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the CFD Bonds.

Levy of Special Tax. The City will comply with all requirements of the Mello-Roos Act so as to assure the timely collection of Gross Taxes, including without limitation, the enforcement of delinquent Special Taxes.

(i) ***Levy.*** The Chief Financial Officer will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the CFD Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Chief Financial Officer will prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

(ii) ***Computation.*** The Chief Financial Officer will fix and levy the amount of Special Taxes within the CFD in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (A) the principal of and interest on the CFD Bonds when due, (B) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year and (C) any amounts required to replenish the Reserve Account to the Reserve Requirement (the "**Special Tax Requirement**"), taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied will not exceed the maximum authorized amounts as provided in the Rate and Method.

(iii) ***Collection.*** The Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Commence Foreclosure Proceedings. Under the Mello-Roos Act, the City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the CFD Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following paragraph.

The City will cause to be determined, no later than October 1 of each Fiscal Year in which the Bonds are outstanding, whether or not any owners of the real property within the District are delinquent in the payment of Special Taxes. The City shall order and cause judicial foreclosure actions to be commenced in Superior Court no later than 60 days following such determination against:

(i) each parcel for which there are delinquent Special Taxes of \$5,000.00 or more for the prior Fiscal Year or Fiscal Years, and

(ii) each parcel for which there are delinquent Special Taxes for the prior Fiscal Year or Fiscal Years if the City determines that the amount of delinquent Special Taxes for the prior Fiscal Year for the entire District, less the total delinquencies under (i) above, exceeds five percent (5%) of the total Special Taxes due and payable in the prior Fiscal Year.

Reduction of Maximum Special Taxes. The City covenants that it will not initiate proceedings to reduce the maximum Special Tax rates for the CFD, unless, in connection therewith, (i) the City receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the CFD as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method then in effect for the CFD) in each Bond Year for any CFD Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and gross debt service in each Bond Year on all CFD Bonds to remain Outstanding after the reduction is approved, (ii) the City finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the CFD Bonds, and (iii) the City is not delinquent in the payment of the principal of or interest on the CFD Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants will compute the Administrative Expenses for the current Fiscal Year and escalate that amount by 2% in each subsequent Fiscal Year.

Rate and Method

A Special Tax applicable to each Taxable Parcel in the CFD will be levied and collected according to the tax liability determined by the City through the application of the Rate and Method, a copy of which is set forth in APPENDIX A. Interest and principal on the CFD Bonds is payable from the annual Special Taxes to be levied and collected on property within the CFD subject to the Special Tax, from amounts held in certain funds and accounts established under the Fiscal Agent Agreement and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes, and the City is not obligated to pay them except from such sources. Because each Special Tax levy is limited to the Maximum Annual Special Tax rates authorized by the qualified electors within the CFD as set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the foregoing amount will in fact be collected in any given year. See "RISK FACTORS – Levy and Collection of the of Special Taxes." The Special Tax is expected to be billed and collected by the County annually and remitted to the City, and except as otherwise provided in the Mello-Roos Act, shall be subject to the same penalties and the same collection procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes of the County.

The Rate and Method apportions the special tax authorized for the CFD among the Taxable Parcels of real property within the CFD according to the rate and methodology set forth in the Rate and Method. The Special Taxes are exempt from the property tax limitation of

Article XIII A of the California Constitution, pursuant to Section 4 thereof as a “special tax” authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City pursuant to the Mello-Roos Act in an amount determined according to a methodology approved by the qualified electors. See “Special Tax Methodology” below. See also “THE CFD—History of the CFD” and “APPENDIX A—Amended and Restated Rate, Method of Apportionment, and Manner of Collection of Special Tax.”

Special Tax Methodology. The Special Tax authorized under the Mello-Roos Act applicable to land within the CFD will be levied and collected according to the tax liability determined by the City through the application of the appropriate rate as described in the Rate and Method. The Rate and Method apportions the Special Tax each year among the Taxable Parcels of real property within the CFD. Capitalized terms set forth in this section and not otherwise defined herein have the meanings set forth in the Rate and Method.

The amount of Special Taxes that the City may levy for the CFD in any fiscal year is limited by the maximum rates approved by the qualified electors within the CFD which are set forth as the “Maximum Annual Special Tax” in Section 5 of the Rate and Method. Under the Rate and Method, Special Taxes for the purpose of making payments on the CFD Bonds and any Parity CFD Bonds will be levied annually in an amount, not in excess of the Maximum Annual Special Tax, sufficient to fund the “Annual Costs” for the applicable fiscal year in accordance with the Rate and Method, which include: Debt Service to be paid from Special Taxes collected during such Fiscal Year, Administrative Expenses for the Fiscal Year, any amounts needed to replenish any reserve fund for CFD Bonds (although there is no such reserve fund for the CFD Bonds), an amount equal to Special Tax delinquencies in payments of Special Taxes levied in the previous fiscal year and/or anticipated for the current Fiscal Year. This total shall be reduced by any credit from any other revenues accrued by the CFD as approved by the City.

Setting the Annual Special Tax Levy for Taxable Parcels. The City shall calculate the Special Tax levy for each Taxable Parcel for each Fiscal Year by computing the Annual Costs; and calculating the Special Tax for each Taxable Parcel for each Fiscal Year as follows: (i) Calculate the revenue from taxing all Taxable Parcels at their Maximum Annual Special Tax and compare to Annual Costs; and (ii) if Annual Costs are less than revenue from taxing all Taxable Parcels at their maximum, decrease proportionately the Maximum Annual Special Tax levy for each Taxable Parcel until the Special Taxes equal the Annual Costs.

Assignment of Maximum Annual Special Tax. In each Fiscal Year the Maximum Annual Special Tax for the CFD will be calculated according to the provisions of the Rate and Method.

Classification of Parcels. Each Fiscal Year, the Administrator shall cause the following: (i) Each Parcel be classified as a Tax-Exempt Parcel or Taxable Parcel; and (ii) each Taxable Parcel be classified as an Original Parcel or a Successor Parcel.

Assignment of the Maximum Annual Special Tax. The Maximum Annual Special Tax for Original Parcels in the Base Year is shown in Attachment 1 to the Rate and Method in APPENDIX A. In each fiscal year after the base year the Maximum Annual Special Tax is increased by the Tax Escalation Factor.

Prepayment of Special Tax Obligation. Landowners may permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under the Rate and Method. By exercising the right to Prepayment, a landowner can eliminate the future annual Special Tax Obligation for a Parcel. Prepayment is permitted only under the following conditions: (i) the Administrator determines that Prepayment does not jeopardize the ability to make timely

payments of Debt Service on Outstanding CFD Bonds or repayment of the CFD Bonds; (ii) any landowner who wishes to exercise the right to Prepayment for a Parcel must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel; and (iii) if Special Taxes have already been levied, but not collected, at the time the Prepayment is calculated, the owner of the Parcel(s) must pay the Special Taxes included on the property tax bill in addition to the Prepayment amount.

Parity CFD Bonds

The City has covenanted in the Fiscal Agent Agreement that it will not issue additional obligations secured by a pledge of Special Taxes equally and ratably with CFD Bonds, except that the City may issue bonds secured under the Fiscal Agent Agreement on parity with the CFD Bonds pursuant to a Supplemental Agreement to the Fiscal Agent Agreement (i) to fund additional improvements authorized to be funded by the CFD, and that satisfy the parity bonds requirements in the Fiscal Agent Agreement, or (ii) to refund all or part of the related series of the CFD Bonds.

Requirements for Parity CFD Bonds. The City may issue the Parity CFD Bonds subject to the following specific conditions precedent set forth in the Fiscal Agent Agreement:

(a) The City shall be in compliance on the date of issuance of the Parity CFD Bonds with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements.

(b) The Supplemental Agreement providing for the issuance of such Parity CFD Bonds shall provide that interest thereon shall be payable on March 1 and September 1, and principal thereof shall be payable on September 1 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(c) The Supplemental Agreement providing for the issuance of such Parity CFD Bonds may provide for the establishment of separate funds and accounts.

(d) The District Value shall be at least five times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the "Other District Bonds") equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

(e) The City shall obtain a certificate of a Tax Consultant to the effect that the amount of the maximum Special Taxes that may be levied in each Fiscal Year, less an amount sufficient to pay annual Administrative Expenses (as determined by the Chief Financial Officer), shall be at least one hundred ten percent (110%) of the total Annual

Debt Service for each such Fiscal Year on the CFD Bonds and the proposed Parity CFD Bonds.

(f) The City shall deliver to the Fiscal Agent a Certificate of an Authorized Representative certifying that the conditions precedent to the issuance of such Parity CFD Bonds described in (a), (b), (c), (d) and (e) above have been satisfied. In delivering such certificate, the Authorized Officer that executes the same may conclusively rely upon such certificates of the Fiscal Agent, the Tax Consultant and others selected with due care, without the need for independent inquiry or certification.

As used in paragraph (d) above, "District Value" means the market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in the CFD subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with the proceeds of any proposed series of Parity CFD Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity CFD Bonds by an MAI appraiser selected by the City, or (ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Chief Financial Officer. It is expressly acknowledged that, in determining the District Value, the City may rely on an appraisal to determine the value of some or all of the parcels in the District and/or the most recent County real property tax roll as to the value of some or all of the parcels in the CFD. Neither the City nor the Chief Financial Officer shall be liable to any person or entity in respect of any appraisal provided for purposes of the foregoing definition or by reason of any exercise of discretion made by any appraiser pursuant to such definition.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements described in (d) and (e) above, and without limitation on the number of series of such Refunding Bonds; and, in connection therewith, the certificate described in (f) above need not make reference to paragraphs (d) and (e). "Refunding Bonds" is defined in the Fiscal Agent Agreement as bonds issued by the City for the CFD the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the debt service on the Refunding Bonds in any Bond Year is not in excess of the debt service on the Bonds being refunded and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

Limitation on Parity CFD Bonds. With respect to Parity CFD Bonds issued to fund additional improvements, the City Council noted in its Resolution authorizing the issuance of the CFD Bonds that, following the completion of the improvements to be funded with proceeds of the Series 2018B CFD Bonds, the only improvement remaining to be funded by the CFD will be an extension of Newcastle Road in the CFD, and that the funding needed for such improvement will be such that no more than \$9,000,000 of Parity CFD Bonds will be issued for such purpose. In that Resolution, the City Council determined that no more than \$9,000,000 principal amount of Parity CFD Bonds, other than Parity CFD Bonds that are Refunding Bonds, would be issued for the CFD. See "THE CFD—The Improvement Fund." The timing of the issuance of any such Parity CFD Bonds cannot be determined at this time.

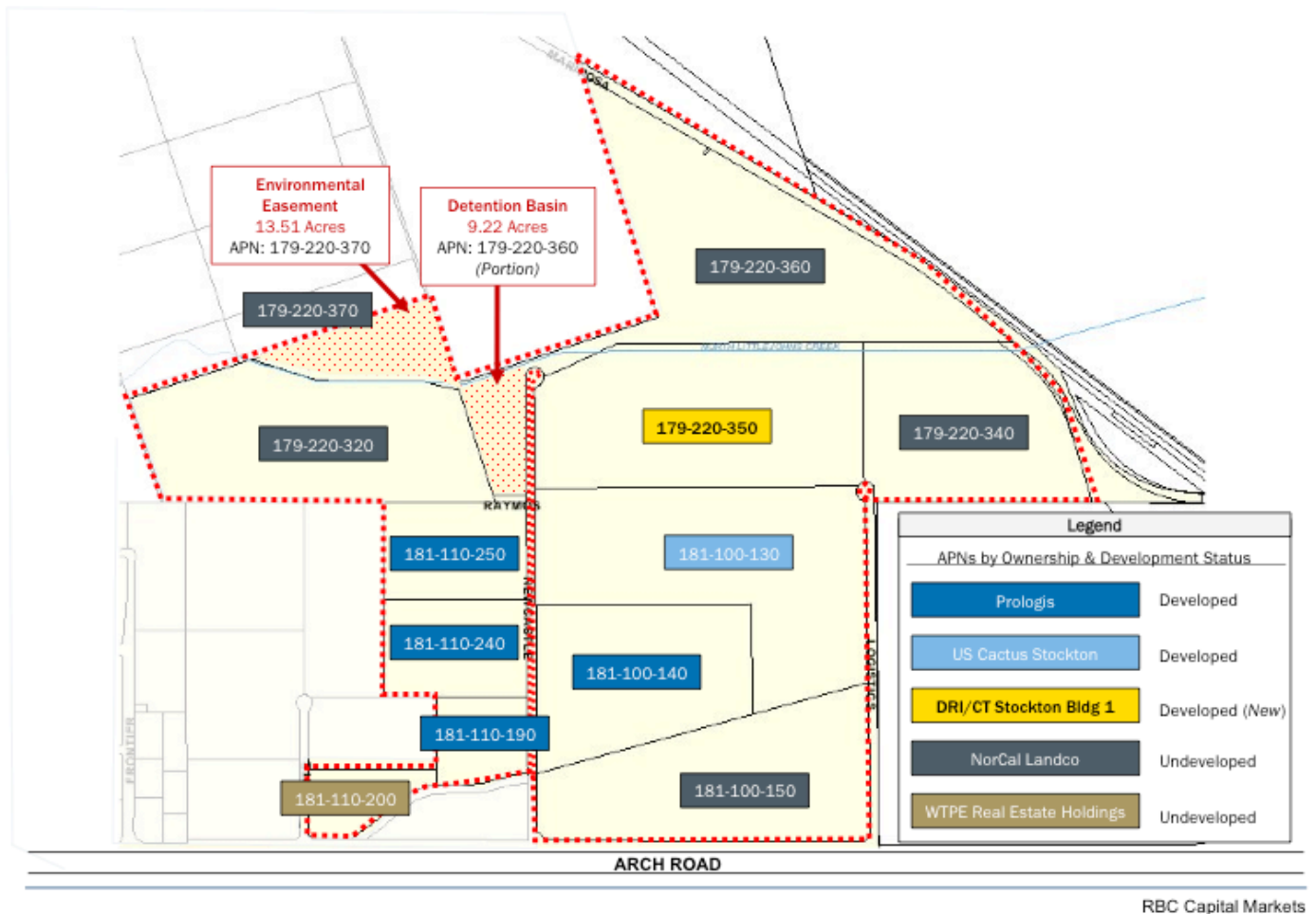
Nothing in the Fiscal Agent Agreement, however, prohibits the City from issuing bonds or otherwise incurring debt secured by a pledge of Net Taxes subordinate to the pledge thereof for the benefit of the CFD Bonds under the Fiscal Agent Agreement.

THE CFD

Location and Description of the CFD

The City of Stockton Arch Road East Community Facilities District No. 99-02 (referred to in this Official Statement as the “CFD”) is located in the south-eastern portion of the City approximately two miles east of Highway 99, and is bordered on the south by Arch Road on the northwest by East Mariposa Road and on the northeast by the Burlington Northern and Santa Fe Railroad. The CFD is also just south of the Burlington Northern Santa Fe Railway, Stockton Intermodal Facility, which is a 423-acre railyard. Neighboring land to the CFD is composed mainly of industrial and agricultural uses. The CFD consists of approximately 454 gross acres. The land within the CFD subject to the Special Tax currently encompasses 11 separate County of San Joaquin (the “County”) assessor’s parcels, each zoned “Industrial Limited,” which permits light industrial and other related uses.

The following is a map showing the parcels in the CFD, their respective owners and their development status.



The Special Taxes on Parcel 179-220-370 are being prepaid by the owner of the parcel on or before the date of issuance of the Bonds, and so it will no longer constitute a Taxable Parcel.

The Special Taxes on the portion of Parcel 179-220-360 indicated on the map designated “Detention Basin” will be prepaid by the owner of the Parcel on or before the date of issuance of the Bonds and that portion of the Parcel will then be acquired by the City after the issuance of the Bonds with proceeds of the Series 2018B CFD Bonds, so that portion of Parcel 179-220-360 will no longer be subject to future Special Tax levies. See “THE CFD—The Improvements.”

History of the CFD

On November 2, 1999, the City Council of the City adopted Resolution No. 99-0508 (the “Formation Resolution”), forming the CFD pursuant to the Mello-Roos Act. The CFD was initially established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$15,000,000. On December 2, 1999, the City, for and on behalf of the CFD, issued \$2,085,000 aggregate initial principal amount of its City of Stockton Arch Road East Community Facilities District No. 99-02 Special Tax Bonds Series 1999 (the “1999 Bonds”). On February 21, 2002, the City, for and on behalf of the District, issued \$6,200,000 aggregate initial principal amount of its City of Stockton Arch Road East Community Facilities District No. 99-02 Special Tax Bonds, Series 2002 (the “2002 Bonds”). Net proceeds of the 1999 Bonds and of the 2002 Bonds were used to fund improvements authorized to be funded by the CFD.

On July 10, 2007 the City Council adopted Resolution No. 07-0274 (the “Resolution of Consideration”) which was initiated based upon the City’s receipt of a request from the then sole owner of the property in the CFD (i) to annex two San Joaquin County Assessor’s parcels to the CFD, (ii) to consider the issuance of refunding bonds to defease and refund the 1999 Bonds and the 2002 Bonds, and to provide additional financing for improvements eligible to be funded by the CFD, and (iii) in connection with the foregoing, to consider the alteration of the Rate and Method then in effect for the CFD and an increase in the bonded indebtedness limit for the District from \$15,000,000 to \$60,000,000. On August 14, 2007 the City Council adopted Resolution No. 07-0350 which called a special election regarding the items proposed in the Resolution of Consideration. On August 14, 2007 the City Council held the special election and adopted Resolution No. 07-0351, which announced the results of the special election determining that the alteration of the Rate and Method and Bonded Indebtedness limit of the CFD were lawfully authorized and directed the recording of an amended notice of special tax lien.

On September 6, 2007, the City issued for the CFD the Prior CFD Bonds in an initial principle amount of \$19,065,000, and used proceeds of the Prior CFD Bonds to refund the then outstanding 1999 Bonds and 2002 Bonds, and to finance improvements authorized to be funded by the CFD.

In March of 2017, Norcal Landco, LLC, together with a related entity, DRI/CT Stockton Building 1 LLC, acquired 345 acres of the land in the CFD. Since the acquisition, significant development of the property has occurred, including the construction of buildings on several parcels and the subsequent sale of two of the developed parcels to Prologis, Inc. See “THE CFD—Status of the Taxable Parcels” and “THE CFD—The Landowners” for a description of the status of development of the Taxable Parcels and their respective owners. No assurance can be given as to the continued development of the Taxable Parcels in the CFD. See “RISK FACTORS—Failure to Develop” and “RISK FACTORS—Construction Risk.”

On November 6, 2018, the City Council adopted Resolution No. 2018-_____, pursuant to which it (a) authorized the issuance of the CFD Bonds and the refunding of the Prior CFD Bonds, (b) approved the Fiscal Agent Agreement, the Escrow Agreement, this Official Statement, a Continuing Disclosure Certificate for the Bonds (see “APPENDIX E—Form of Continuing Disclosure Certificate of the City”), and a Bond Purchase Agreement for the sale of

the Bonds, (c) authorized the sale of the CFD Bonds to the Authority, (d) approved an acquisition agreement for construction of the improvements to be funded with proceeds of the Series 2018B CFD Bonds (see “THE CFD—The Improvements” below), and (e) determined that no more than \$9,000,000 of Parity CFD Bonds would be issued to fund an additional improvement for the CFD consisting of an extension of New Castle Road (see “SECURITY FOR THE CFD BONDS—Parity CFD Bonds – Limitation on Parity CFD Bonds” and “THE CFD—The Improvements”). The CFD Bonds are being issued pursuant to the Resolution, the Mello-Roos Act and the Fiscal Agent Agreement.

The Improvements

The CFD is authorized to fund transportation improvements including (a) roadways, street lights, land scaping and related improvements, (b) water system improvements, including sewer transmission lines and wastewater improvements, (c) water system improvements, and (d) drainage system improvements, including pump stations and detention basins, all within or in the vicinity of the CFD. All of the authorized improvements have been completed, except for the acquisition and development of a detention basin and construction of a pump station to be funded with proceeds of the Series 2018B Bonds, and an extension of New Castle Road (the “Future Improvements”) expected to be funded with proceeds of Parity CFD Bonds (see “SECURITY FOR THE CFD BONDS—Parity CFD Bonds”). The detention basin improvements, including the acquisition of approximately 13.51 acres of land, and the pump station improvements (collectively, the “2018 Improvements”) are expected to cost an aggregate of \$7,569,748, which will be funded with proceeds of the Series 2018B CFD Bonds.

In connection with the issuance of the CFD Bonds, the City and Norcal Landco LLC, an owner of property in the CFD, will enter into an Agreement to Construct and Acquire Public Facilities for the CFD (the “Acquisition Agreement”) which provides that Norcal will construct (or cause to be constructed or funded) the 2018 Improvements and the City, upon completion of construction and acceptance by the City, will purchase the 2018 Improvements. Upon completion of the 2018 Improvements and acceptance by the City, proceeds of the Series 2018B CFD Bonds will be used to pay the purchase price of the 2018 Improvements pursuant to the terms of the Acquisition Agreement. The City may allow Series 2018B CFD Bond proceeds to make progress payments to Norcal Landco LLC against costs incurred to acquire and construct the 2018 Improvements.

Norcal Landco LLC expects to begin construction of the 2018 Improvements in April of 2019 and to complete the 2018 Improvements by November, 2019. The City is unable at this time to determine the expected construction schedule for the Future Improvements. The development agreement between the original developer of the property in the CFD and the City requires the completion of the 2018 Improvements and the Future Improvements as a condition to the full buildout of the property in the CFD.

Historical Assessed Values

Table 3 below shows annual changes in the assessed valuations of the Taxable Parcels in the CFD between fiscal years 2008-09 and 2018-19.

Table 3
City of Stockton
Community Facilities District No. 99-02
(Arch Road East)
Historical Assessed Valuation

Fiscal Year	No. of Taxable Parcels	Assessed Land Value	Assessed Structure Value	Total Assessed Value	Annual AV Growth
2008-09	10	\$55,002,000	-	\$ 55,002,000	--
2009-10	10	76,743,780	\$51,525,000	128,268,780	133.21%
2010-11	10	58,672,695	64,489,503	123,162,198	-3.98
2011-12	10	58,077,265	66,200,000	124,277,265	0.91
2012-13	10	59,038,619	67,022,000	126,060,619	1.43
2013-14	10	59,759,098	69,791,880	129,550,978	2.77
2014-15	10	59,984,879	70,138,940	130,123,819	0.44
2015-16	10	57,103,111	87,401,114	144,504,225	11.05
2016-17	10	57,973,598	87,733,511	145,707,109	0.83
2017-18	10	59,132,993	90,507,945	149,640,938	2.70
2018-19 ⁽¹⁾	12	31,468,730	144,218,103	175,686,833	17.41

Source: Assessed values from the San Joaquin County secured property roll, as compiled by Willdan Financial Services.

As described under the heading “THE CFD—History of the CFD,” Norcal Landco, LLC acquired 345 acres of land in the CFD in March of 2017. The land was acquired for a price that was less than its then County assessed value, resulting in a decrease in the Assessed Land Value for the CFD from the fiscal year 2017-18 value to that shown for fiscal year 2018-19. Moreover, following the sale of the property, three of the parcels in the CFD were reconfigured, such that a portion of the property was no longer subject to the Special Tax levy and an additional two parcels were established among the Taxable Parcels. However, one of the reconfigured parcels is to be used for a detention basins and Norcal Landco, LLC will prepay the Special Tax liability on that parcel prior to the delivery of the Bonds, so that for fiscal year 2018-19 there will be 11 Taxable Parcels in the CFD. See the map under the heading “THE CFD—Location and Description of the CFD” and “THE CFD—History of the CFD.”

Status of the Taxable Parcels

The following Table 4 shows the current ownership of the 11 Taxable Parcels within the CFD, as well as their acreages and their current development status, and a further description of each of the Taxable Parcels follows the Table.

Table 4
City of Stockton
Community Facilities District No. 99-02
(Arch Road East)
Status of Completion

APN	Property Owner	Taxable Acreage	Development Status
181-100-140	Prologis, Inc.	39.42	Warehousing Active
181-110-190	Prologis, Inc.	10.29	Developed Industrial Land
181-110-240	Prologis, Inc.	18.99	Warehousing Active
181-110-250	Prologis, Inc.	19.12	Warehousing Active
181-100-130	US CACTUS STOCKTON LLC	71.29	Warehousing Active
179-220-350	DRI CT STOCKTON BLDG 1 LLC	62.60	Warehousing Active
179-220-320	NORCAL LANDCO LLC	55.49	Vacant Industrial Land Undeveloped
179-220-340	NORCAL LANDCO LLC	42.93	Vacant Industrial Land Undeveloped
179-220-360	NORCAL LANDCO LLC	71.38	Vacant Industrial Land Undeveloped
181-100-150	NORCAL LANDCO LLC	53.87	Vacant Industrial Land Undeveloped
181-110-200	WTPE REAL ESTATE HOLDINGS, LLC	8.48	Vacant Industrial Land Undeveloped
Total		453.86	

Source: Willdan Financial Services.

The following information was obtained from the various owners of the Taxable Parcels, and has not been verified by the Authority, the City or the Underwriter. The Special Taxes are secured by a lien on the Taxable Parcels, and are not personal obligations of the owners of the Taxable Parcels in the CFD.

Parcel 181-100-140 consisting of approximately 39.42 acres subject to the Special Tax levy, was acquired by Prologis, Inc. on July 29, 2010. It has been improved with an approximately 735,980 square foot building currently leased to General Mills, which uses the facility for a distribution center. The current lease of the facility expires in January of 2022.

Parcel 181-110-190 consisting of approximately 10.29 acres subject to the Special Tax levy, was acquired by Prologis, Inc. on May 18, 2018. The parcel has been improved with an approximately 186,944 square foot building intended for use as a warehouse/distribution center, and is currently vacant and available for lease.

Parcel 181-110-240 consisting of approximately 18.99 acres subject to the Special Tax levy, was acquired by Prologis, Inc. on July 29, 2010. It has been improved with an approximately 388,000 square foot building currently leased by Fox Head Inc. (aka Fox Racing), and is used as a distribution center for their motorcycle and dirt bike apparel and accessories. The current lease expires in March of 2023. This parcel is part of a pool of assets with a lien securing a portfolio loan with a current balance of \$159,813,541 as of September 30, 2018, which loan matures on April 1, 2024.

Parcel 181-110-250 consisting of approximately 19.12 acres subject to the Special Tax levy, was acquired by Prologis, Inc. on May 18, 2018. The parcel has been improved with an approximately 388,180 square foot building intended for use as a warehouse/distribution center, and is currently vacant and available for lease.

Parcel 181-100-130 consisting of approximately 71.29 acres subject to the Special Tax levy, was acquired in December of 2013 by US Cactus Stockton LLC, which is a joint venture of US AA Real Estate and the Arizona State Retirement System. The parcel currently includes an approximately 780,000 square foot building approximately 60% of which is being used by KEHE Distributors, LLC as a distribution center under a 5 year lease, and approximately 40% of

which is used as a distribution/logistics center by Allen Distribution with a lease that expires in September of next year. The parcel owner recently broke ground on a new second building on the parcel to have a total of 285,000 square feet, and expects completion of the new building by May of 2019. The owner expects to obtain a construction loan to finance approximately fifty percent of the costs of the new building, in a principal amount of about \$18,000,000.

Parcel 179-220-350 consisting of approximately 62.6 acres subject to the Special Tax levy, was acquired by DRI/CT Stockton Building 1 LLC, an entity related to Norcal Landco LLC in March of 2017. The parcel has been improved with an approximately 1,122,341 square foot building completed in May of 2018 that is currently leased to Golden State FC, LLC (for use by Amazon.com) under a 10 year lease that commenced in August of 2018. Building permits are currently being obtained for interior work at the facility to allow for warehouse uses and an approximately 30,000 square foot office space. The parcel is subject to a lien in respect of a loan from Fifth Third Bank.

Parcel 179-220-320 consisting of approximately 55.49 acres subject to the Special Tax levy, was acquired by Norcal Landco LLC in March of 2017. It is currently unimproved, and is intended to be improved by the owner with an approximately 1,131,200 square foot building to be used as a warehouse/distribution center and is currently in the design phase. There is no definitive plan for the construction or use of the facility. The owner expects to finance construction of the building and related improvements with proceeds of an equity contribution by a yet to be designated financial partner, and with proceeds of a commercial loan.

Parcel 179-220-340 consisting of approximately 42.93 acres subject to the Special Tax levy, was acquired by Norcal Landco LLC in March of 2017. The parcel is currently unimproved and is intended to be improved with an approximately 709,800 square foot warehouse/distribution center. The owner has submitted working drawings to the City for the building and expects to begin construction by the end of 2018 with completion anticipated in September of 2019. The expected cost to construct the facility is approximately \$48,000,000, including site improvements and other hard construction costs. The owner anticipates leasing the parcel upon completion of the improvements.

Parcel 179-220-360 consisting of approximately 71.38 acres subject to the Special Tax levy, was acquired by Norcal Landco LLC in March of 2017. The parcel is currently unimproved, and the owner is in escrow with a possible user of the parcel with a potential closing in late December, 2018. No assurance can be given that any such escrow will close. A portion of this parcel is being sold by the landowner for the detention basin to be funded with proceeds of the Series 2018B CFD Bonds. See the map under the heading "THE CFD—Location and Description of the CFD" and "THE CFD—The Improvements."

Parcel 181-100-150 consisting of approximately 53.87 acres subject to the Special Tax levy, was acquired by Norcal Landco LLC in March of 2017. The parcel is currently undeveloped, with no definite plan by the owner as to when it will be improved.

Parcel 181-110-200 consisting of approximately 8.48 acres subject to the Special Tax levy, was acquired by WTPE Real Estate Holdings LLC, an entity affiliated with Western Truck Center. The parcel was acquired by its current owner on April 4, 2018. The parcel owner is currently seeking development approvals from the City to construct a heavy duty truck dealership, including facilities for truck parts and services. The owner anticipates a buildout within a year to eighteen months.

No assurance can be given that any of the planned development, construction, leasing or sales of the Taxable Parcels mentioned above will occur as anticipated by the various landowners, or at all.

There is a website, www.norcallogisticscenter.com, that contains various information regarding the parcels owned by Norcal Landco LLC in the CFD, including several drone videos, but the website is not included in this Official Statement and the City has no responsibility for the website or the information included thereon or referenced therein.

The Landowners

The following information was obtained from the various landowners, or from their websites on the internet, and has not been verified by the Authority, the City or the Underwriter. The Special Taxes are secured by a lien on the Taxable Parcels, and are not personal obligations of the owners of the Taxable Parcels in the CFD.

Prologis, Inc. Prologis, Inc., is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of September 30, 2018, the company owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects expected to total approximately 771 million square feet (72 million square meters) in 19 countries. Prologis, Inc. leases modern distribution facilities to a diverse base of approximately 5,500 customers across two major categories: business-to-business and retail/online fulfillment. Prologis, Inc. maintains a website at www.prologis.com, but the website is not included in this Official Statement and the Authority, the City and the Underwriter have no responsibility for the information on the website.

Norcal Landco LLC and DRI/CT Stockton Building 1 LLC. Norcal Landco LLC is a limited liability company formed to acquire and hold land for future development. The members of the company are CTR Partners LLC (the legal ownership entity of "CT Realty"), which is the managing member, and approximately 25 private investors with ownership interests varying from 0.5% to 10% and an average of 3.7% each. DRI/CT Stockton Building 1 LLC is a limited liability company formed to acquire land and construct a building. The members are CTR Partners which is the Managing Member, and Diamond Stockton LLC. CTR Partners LLC owns 2.5% and Diamond Stockton LLC owns 97.5%. Diamond Stockton LLC is an investment entity formed by Diamond Realty Investments which is a fully-owned, real estate investment entity of Mitsubishi Corporation. In each case CT Realty has a profit participation after the investors receive return of their investment and a preferred return. CT Realty maintains a website at www.ctrinvestors.com and Diamond Realty Investments maintain a website at www.diamondrealtyinvestments.com, but the websites are not included in this Official Statement and the Authority, the City and the Underwriter have no responsibility for the information on the websites.

US Cactus Stockton LLC. US Cactus Stockton LLC is a 50-50 joint venture between USAA Real Estate and the Arizona State Retirement system. USAA Real Estate was founded in 1982 as the real estate investment arm of USAA. The company advises that it has more than \$21 billion in assets under management. The company provides co-investment asset management services to U.S. pension funds, as well as to foreign and domestic institutional investors. USAA Real Estate also provides capital to partners for development. Its portfolio consists of office, medical office, industrial, multi-family, retail and hotel properties as well as investments in real estate operating companies. USAA maintains a website at www.usrealco.com, but the website is not included in this Official Statement and the Authority, the City and the Underwriter have no responsibility for the information on the website.

WTPE Real Estate Holdings, LLC. WTPE Real Estate Holdings, LLC is affiliated with Western Truck Center. Western Truck Center is a truck dealership with multiple locations around Alaska, California, Oregon and Washington. It sells new and preowned Peterbilt, Volvo and Hino trucks. Western Truck Center maintains a website at www.westerntruckcenter.com, but the website is not included in this Official Statement and the Authority, the City and the Underwriter have no responsibility for the information on the website.

The following table shows the owners of the Taxable Parcels in the CFD, their respective parcels, the assessed or appraised value of the parcels, their projected fiscal year 2019-2020 Special Tax, their share of the principal of the CFD Bonds and the resulting Value to Lien Ratio.

Table 5
City of Stockton
Community Facilities District No. 99-02
(Arch Road East)
Value-to-Lien by Parcel⁽¹⁾

Property Owner	APN	Taxable Acreage	Assessed/ Appraised Value ⁽²⁾	FY 2019-20 Projected Maximum Special Tax	Percent of Projected Special Tax	Share of CFD Bonds ^{(3),(4)}	Value to Lien Ratio ⁽⁵⁾
Developed Property							
Prologis, Inc.	181-100-140	39.42	\$35,355,388	\$283,965	8.69%	\$2,176,586	16.24
Prologis, Inc.	181-110-190	10.29	6,025,300	74,125	2.27	568,165	10.60
Prologis, Inc.	181-110-240	18.99	19,852,358	136,796	4.18	1,048,538	18.93
Prologis, Inc.	181-110-250	19.12	15,365,940	137,733	4.21	1,055,716	14.55
Subtotal Prologis, Inc.		87.82	\$76,598,986	\$632,619	19.35%	\$4,849,005	15.80
US Cactus Stockton LLC	181-100-130	71.29	\$51,174,827	\$513,544	15.71%	\$3,456,476	10.17
DRI CT Stockton Bldg 1	179-220-350	62.60	\$35,149,760	\$450,945	13.79%	\$3,936,296	13.00
Total Developed Property		221.71	\$162,923,573	\$1,597,108	48.85%	\$12,241,776	13.31
Undeveloped Property							
Norcal Landco LLC	179-220-320	55.49	\$10,080,000	\$399,727	12.23%	\$3,063,895	3.29
Norcal Landco LLC	179-220-340	42.93	7,800,000	309,250	9.46	2,370,391	3.29
Norcal Landco LLC	179-220-360	71.38	12,970,000	514,192	15.73	3,941,266	3.29
Norcal Landco LLC	181-100-150	53.87	9,790,000	388,057	11.87	2,974,446	3.29
Subtotal Norcal Landco LLC		223.67	\$40,640,000	\$1,611,227	49.28%	\$12,349,998	3.29
WTPE Real Estate Holdings LLC	181-110-200	8.48	\$2,030,000	\$61,086	1.87%	\$468,225	4.34
Total Undeveloped Property		232.15	\$42,670,000	\$1,672,313	51.15%	\$12,818,224	3.33
Totals		453.86	\$205,593,573	\$3,269,421	100.00%	\$25,060,000	8.20

(1) Preliminary, subject to change.

(2) Assessed Value for parcels listed under "Developed Property" and Appraised Value for parcels listed under "Undeveloped Property."

(3) Based on Percentage of Projected Special Tax and the initial principal amount of the CFD Bonds.

(4) The City is not aware of any land-secured debt, other than that of the CFD, that overlaps the Taxable Parcels in the CFD, including any debt issued under the Improvement Bond Act of 1915 or the Mello-Roos Act. See, however, THE CFD—Direct and Overlapping Indebtedness" for a description of certain other indebtedness applicable to the property in the CFD.

(5) Share of CFD Bonds as a percentage of Assessed/ Appraised Value.

Source: Willdan Financial Services.

Value-to-Burden Ratios

No Appraisal of Developed Property in the CFD. The City has not commissioned an appraisal of the six Taxable Parcels in the CFD that have been developed. Therefore, the

valuation of the Taxable Parcels in the CFD that have been developed has been estimated for the purposes of this Official Statement based on the County Assessor's values. The current market value of the parcels within the CFD may be less than the County Assessor's values shown in this Official Statement.

Appraisal of Undeveloped Property in the CFD. The City has commissioned the Appraisal to determine the value of the five Taxable Parcels that have yet to be developed. The Appraisal, dated October 18, 2018 (with a date of value of September 17, 2018) determined the market value of parcel 181-110-20 owned by WTPE Real Estate Holdings LLC and the market value-bulk value of parcels 179-220-320, 179-220-340, 179-220-360 and 181-100-15 owned by Norcal Landco LLC, which values are reflected in Table 5 above. The complete text of the Appraisal is included as Appendix H. The Appraisal is subject to various assumptions, limiting conditions and a hypothetical condition, and should be read in its entirety by prospective purchasers of the Bonds.

General Information Regarding Value-to-Burden Ratios. In comparing the aggregate value of the real property within the CFD and the principal amount of the CFD Bonds, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. The principal amount of the CFD Bonds is not allocated pro-rata among the parcels within the CFD; rather, the total Special Taxes have been allocated among the parcels within the CFD according to the Rate and Method. The "value-to-burden lien" measures the burden of Special Taxes borne by each property in the CFD relative to the burden borne by other properties in the CFD.

The value-to-lien ratio on bonds secured by special taxes will generally vary over time as a result of changes in the value of the property that is security for the Special Taxes and the principal amount of the CFD Bonds. Economic and other factors beyond the property owners' control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the CFD. See "RISK FACTORS."

The following Table 6 sets forth the estimated value-to-lien ratios for the 11 parcels in the CFD subject to the levy of Special Taxes.

Table 6
City of Stockton
Community Facilities District No. 99-02
(Arch Road East)
Value-to-Lien Categories

Value-to-Lien Category	No. Taxable Parcels	CFD Debt⁽¹⁾	% of Total	2018/19 Assessed/ Appraised Value⁽²⁾	% Total Assessed/ Appraised Value	Average Value to Lien
Greater than 20:1	0	\$0	0.00%	\$0	0.00%	N/A
15:1 to 19.9:1	2	3,225,124	12.87	55,207,746	26.85	17.12
10:1 to 14.9:1	4	9,016,653	35.98	107,715,827	52.39	11.95
5:1 to 9.9:1	0	0	0.00	0	0.00	N/A
3:1 to 4.99:1	5	12,818,224	51.15	42,670,000	20.75	3.33
Less than 3:1	0	0	0.00	0	0.00	N/A
Totals	11	\$25,060,000	100.00%	\$205,593,573	100.00%	8.20

(1) Preliminary, subject to change. Based on a principal amount of CFD Bonds of \$25,060,000.

(2) Assessed Value for the Developed Parcels, and Appraised Value for the Undeveloped Parcels.
Source: Willdan Financial Services.

Rate and Method; Maximum Special Taxes

The Rate and Method by which the annual Special Tax levy on Taxable Parcels in the CFD is determined provides for annual two percent increases in the Maximum Special Tax rates for the parcels in the CFD, and provides that no Special Tax shall be levied in the CFD after Fiscal Year 2042-2043.

The following table shows the total expected levy and total expected maximum tax on Taxable Parcels within the CFD through the final maturity of the CFD Bonds.

Table 7
City of Stockton
Community Facilities District No. 99-02
(Arch Road East)
CFD Bonds Debt Service and Special Tax Coverage⁽¹⁾
(Fiscal Years 2019 to 2043)

Year Ending (Sept. 1)	CFD Bonds Debt Service⁽²⁾	Estimated CFD Admin Expense	Total Revenue Requirement	Maximum Special Tax Revenues	Debt Service Coverage
2019	\$1,224,719	\$ 10,000	\$ 1,234,719	\$ 3,269,421	2.65
2020	1,635,806	10,200	1,646,006	3,334,809	2.03
2021	1,669,269	10,404	1,679,673	3,401,505	2.03
2022	1,705,209	10,612	1,715,821	3,469,535	2.02
2023	1,738,199	10,824	1,749,023	3,538,926	2.02
2024	1,774,164	11,041	1,785,204	3,609,705	2.02
2025	1,807,114	11,262	1,818,375	3,681,899	2.02
2026	1,847,174	11,487	1,858,660	3,755,537	2.02
2027	1,883,471	11,717	1,895,188	3,830,647	2.02
2028	1,921,166	11,951	1,933,117	3,907,260	2.02
2029	1,960,286	12,190	1,972,476	3,985,406	2.02
2030	1,998,559	12,434	2,010,992	4,065,114	2.02
2031	2,036,386	12,682	2,049,068	4,146,416	2.02
2032	2,078,466	12,936	2,091,402	4,229,344	2.02
2033	2,124,194	13,195	2,137,388	4,313,931	2.02
2034	2,162,964	13,459	2,176,422	4,400,210	2.02
2035	2,209,501	13,728	2,223,229	4,488,214	2.02
2036	2,253,148	14,002	2,267,150	4,577,978	2.02
2037	2,298,600	14,282	2,312,882	4,669,538	2.02
2038	1,525,250	14,568	1,539,818	4,762,929	3.09
2039	1,554,250	14,859	1,569,109	4,858,187	3.10
2040	1,584,000	15,157	1,599,157	4,955,351	3.10
2041	1,614,250	15,460	1,629,710	5,054,458	3.10
2042	1,649,750	15,769	1,665,519	5,155,547	3.10
2043	1,680,000	16,084	1,696,084	5,258,658	3.10

(1) Preliminary, subject to change.

(2) Estimated, based on a principal amount of CFD Bonds of \$25,060,000.

Direct and Overlapping Indebtedness

Table 8 presents a statement of direct and overlapping public bonded debt (the “Overlapping Debt Report”) prepared by California Municipal Statistics, Inc. as of October 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 Authority 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 CFD in whole or in part. The second column shows the assessed value of the area common to the CFD 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 CFD subject to the Special Tax.

Table 8
City of Stockton
Community Facilities District No. 99-02
(Arch Road East)
Estimated Annual Debt Service and Special Tax Coverage
Direct and Overlapping Indebtedness

2018-19 Local Secured Assessed Valuation: \$175,686,833 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 10/1/18</u>
San Joaquin Delta Community College District General Obligation Bonds	0.217%	\$ 430,535
Stockton Unified School District General Obligation Bonds	1.357	4,738,621
City of Stockton Community Facilities District No. 99-02	100.	17,760,000 ⁽²⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$22,929,156
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Joaquin County Certificates of Participation	0.237%	\$ 203,044
Stockton Unified School District Certificates of Participation	1.357	478,526
City of Stockton Pension Obligation Bonds ⁽³⁾	0.785	420,055
TOTAL OVERLAPPING GENERAL FUND DEBT		\$1,101,625
COMBINED TOTAL DEBT		\$24,030,781 ⁽⁴⁾

- (1) Calculated using total assessed valuation of \$176,004,093 (land, improvements and personal property)
(2) Excludes issue to be sold.
(3) Represents an obligation pursuant to a settlement of various matters with Assured Guaranty Municipal Corp.
(4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$17,760,000).....	10.11%
Total Direct and Overlapping Tax and Assessment Debt.....	13.05%
Combined total Debt.....	13.68%

Delinquencies

Historic Delinquencies. The following table sets forth the historic delinquencies in the payment of Special Taxes for the CFD.

Table 9
City of Stockton
Community Facilities District No. 99-02
(Arch Road East)
Delinquency Information
as of September 7, 2018

<u>Fiscal Year</u>	<u>Special Tax Levy</u>	<u>Levied Parcels⁽¹⁾</u>	<u>Delinquent Parcels</u>
2012/13	\$1,210,975	10	0
2013/14	1,084,039	10	0
2014/15	1,107,216	10	0
2015/16	1,133,723	10	0
2016/17	1,309,189	10	0
2017/18	1,333,776	10	0

- (1) See discussion following Table 3 under the heading "THE CFD—Historical Assessed Values" for information regarding changes to the number of Taxable Parcels in the CFD that have occurred subsequent to fiscal year 2017/18.

Source: San Joaquin County as compiled by Willdan Financial Services.

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. 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. 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. 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, and thereby a delinquency in payment of the CFD Bonds.

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.

RISK FACTORS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks that should be considered before making an investment decision.

Limited Obligation to Pay Debt Service

The Bonds. The Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues and funds pledged therefor in the Indenture, consisting primarily of debt service on the CFD Bonds. See “SECURITY FOR THE BONDS.”

The CFD Bonds. The City has no obligation to pay principal of or interest on the CFD Bonds if Special Tax collections in the CFD are delinquent or otherwise insufficient to pay the scheduled debt service on the CFD Bonds, other than from amounts, if any, derived from the foreclosure and sale of parcels with Special Tax delinquencies. The City is not obligated to advance its own funds to pay debt service on the CFD Bonds.

Concentration of Ownership

The concentration of property ownership in the CFD presents a risk to the owners of the Bonds in that the delinquency of one or two major Landowners could result in a rapid depletion of the Reserve Fund and a default in the payment of the Bonds.

Two of the current landowners in the CFD, Prologis, Inc. and Norcal Landco, LLC currently own Taxable Parcels responsible for 19.35% and 49.28%, respectively, of the expected fiscal year 2019-20 Special Tax levy. See Table 5 under the heading “THE CFD—The Landowners.” The timely receipt of the Special Taxes is dependent on the willingness and the ability of the current landowners to pay the Special Taxes when due. Failure of the current landowners, or any successor, to pay the annual Special Taxes when due could result in a default in payments of the principal of, and interest on, the CFD Bonds, and thereby on the Bonds, when due. See “RISK FACTORS—Failure to Complete Development.”

A concentration of ownership could exist even upon completion of the proposed development of the CFD, as the current two substantial landowners may not sell parcels they own and may lease or continue to lease them rather than sell them. In that case, the existing concentration of ownership would continue indefinitely.

Levy and Collection of the Special Taxes

General. The principal source of payment of principal of and interest on each series of the CFD Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the CFD.

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

No Relationship Between Property Value and Special Tax Levy. Because the allocation of the Special Taxes in the Rate and Method for the CFD is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of

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

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

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

Property Tax Delinquencies. Failure of the owners of Taxable Parcels to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. See Table 9 under the heading "THE CFD—Delinquencies" for a table showing the Special Tax delinquency rates for the Taxable Parcels in the CFD.

Delays Following Delinquencies and Foreclosure Sales. The Fiscal Agent Agreement provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE CFD BONDS" and in the Mello-Roos Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

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

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

If sales or foreclosures of property are necessary, there could be a delay in payments to the Authority, as owner of the CFD Bonds, pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale. See "SECURITY FOR THE CFD BONDS."

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

Property Owners are not personally obligated to pay their Special Taxes. Rather, the Special Taxes are obligations only against the respective parcels against which they are levied. If, after a default in the payment of Special Taxes and a foreclosure sale, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcel, the City has no personal recourse against the parcel owner.

Potential Early Redemption of Bonds from Prepayments. Property owners within the CFD are permitted to prepay their Special Taxes at any time. Prepayments of Special Taxes could also be made from the proceeds of bonds issued by or on behalf of an over-lapping special assessment district or community facilities district. Such prepayments, either from property owners or bond proceeds, will result in a special mandatory redemption of the CFD Bonds, and consequently of the Bonds, on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. See “THE BONDS—Redemption.” The resulting mandatory redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds.

Assessed Valuations/Appraisal

The City has not commissioned an appraisal of the six undeveloped parcels in the CFD in connection with the issuance of the Bonds. The estimated valuations of the developed Taxable Parcels in the CFD set forth in this Official Statement are based on the County Assessor’s values. The assessed value is not an indication of what a willing buyer might pay for a property. The assessed value is not evidence of future value because future facts and circumstances may differ significantly from the present.

The Appraisal in APPENDIX H estimates the market value of the five undeveloped Taxable Parcels within the CFD subject to the Special Tax. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

No assurance can be given that any of the Taxable Parcels in the CFD could be sold for the appraised value or assessed value, as applicable, if that property should become delinquent and subject to foreclosure proceedings.

Property Values

The value of Taxable Parcels within the CFD is a critical factor in determining the investment quality of the Bonds. If a parcel owner defaults in the payment of the Special Taxes, the City’s only remedy is to foreclose on the delinquent property.

The following is a discussion of specific risk factors that could affect the value of property in the CFD.

Economic Downturn. In the past, land values in and around the City have been adversely affected by economic conditions. To the extent that the economic downturn is prolonged, property values could remain flat for an indefinite period.

Declines in property values for Taxable Parcels in the CFD could also result in property owner unwillingness or inability to make payments on any debt secured by a lien on the respective parcel, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by property owners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings.

Natural Disasters. The value of the Taxable Parcels in the CFD can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements, and private improvements and the continued habitability and enjoyment of such private improvements.

Earthquake Risk. The areas in and surrounding the City, like those in much of California, may be subject to unpredictable seismic activity. Known active faults in the vicinity of the City include the San Andreas, Hayward, Calaveras and Green Valley-Concord faults to the west, the Midland fault zone to the north and the Bear Mountain and Melones fault zones to the east.

Flood Risk. Taxable Parcels in the CFD lie within three different flood zones. The northeast corner of the CFD, which consists of Assessor's parcels 179-220-34 and -36, a portion of the property lies within Zone X, where the area is determined to be outside of the 0.2% annual chance floodplain. Assessor's parcels 179-220-34 and -36 also have a portion that lies within Zone X, which areas have a 0.2% annual chance of flood, 1% chance of annual flood with a depth of one foot, and areas protected by levees from 1% annual chance flood. A majority of the CFD lies within Zone AO, which has flood depths of one to three feet and is within the 100-year floodplain. Most of the property is in Zone AO-1, a flood zone designation with a 1% chance of 1 foot of water. The City requires buildings and equipment (transformers) to be built at 2 feet above the potential flood level. However, the three recently completed buildings on parcels in the CFD were constructed with finished floors at 3 feet above the flood elevation. The net proceeds of the Series 2018B CFD Bonds will be used to provide a detention basin and pump station intended to lessen the risk of flooding in the CFD. See page 34 in the Appraisal in Appendix H for a map indicating the various flood zones mentioned above.

Other Disasters. Other natural disasters could include, without limitation, landslides, wildfires, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the parcels in the CFD may well depreciate or disappear.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the property values is a claim with regard to a hazardous substance. In general, the owners and operators of property 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 Taxable Parcels in the CFD 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.

Although the City is not aware that the owner or operator of any of the Taxable Parcels in the CFD has such a current liability, it is possible that such liabilities do currently exist. Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that 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 that 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 property values that would otherwise be realized upon a delinquency.

No information is available as to the existence of any hazardous substances within the CFD.

Other Factors. Other factors that could adversely affect property values in the CFD include, among others, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, and destruction of property caused by man-made disasters.

Other Possible Claims Upon the Property Values

While the Special Taxes are secured by the Taxable Parcels in the CFD, the security only extends to the value of such property that is not subject to priority and parity liens and similar claims.

A table listing of the outstanding governmental obligations affecting the CFD is set forth under the headings "THE CFD—Direct and Overlapping Indebtedness."

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels within the CFD, and may be secured by a lien on a parity with the lien of the Special Tax securing the CFD Bonds.

In general, the Special Taxes, and all other taxes, assessments and charges also collected on the tax roll, are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. If proceedings are brought to foreclose a delinquency, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis.

Enforcement of Special Taxes on Governmentally Owned Properties

General. The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the CFD, but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

Neither the City nor the Authority has undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the CFD. No assurance can be given as to the likelihood that the risks described above will materialize while the CFD Bonds are outstanding.

FDIC. If any financial institution making any loan secured by real property within a CFD or a Reassessment District is taken over by the FDIC, and prior thereto or thereafter the loan (or loans) goes into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "**Policy Statement**") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those

claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special taxes and assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula, which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The Authority and the City are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the CFD in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a default in payment on the CFD Bonds.

Exemptions Under the Rate and Method and the Mello-Roos Act. Certain properties are exempt from the Special Tax in accordance with the Rate and Method for the CFD and the Mello-Roos Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the CFD 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, although the Mello-Roos 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 Mello-Roos Act have not been tested, meaning that such property could become exempt from the Special Tax. The Mello-Roos 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 special tax or to alter the rate or method of apportionment of an existing special tax.

Depletion of Reserve Fund

The Authority will establish and maintain a Reserve Fund for the Bonds under the Indenture that may be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the debt service payments on the CFD Bonds. See "SECURITY FOR THE BONDS—Reserve Fund." If there is a draw on the Reserve Fund, the Reserve Fund can be replenished from the proceeds of future debt service payments on the CFD Bonds that are in excess of the amount required to pay all amounts otherwise then due and payable by the Authority under the Indenture.

Failure to Complete Development

Land development operations are subject to comprehensive federal, State of California and local regulations. Various governmental agencies have issued approvals within their

jurisdictional authority required for the continued development of the property in the CFD, and additional approvals may be required for such development.

Future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within the City, including within the CFD could be enacted, and future land use initiatives approved by the voters in the City could add more restrictions and requirements on development within the CFD. Moreover, there can be no assurance that the means and incentive to conduct land development operations within the CFD will not be adversely affected by a deterioration of the real estate market or economic conditions generally, future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, acts of war or terrorism, or other factors.

Certain Taxable Property in the CFD are presently undergoing active development. See “THE CFD—Status of the Taxable Parcels” for a description of the current state of development of the Taxable Parcels in the CFD. Undeveloped property is less valuable per acre than a developed property, and therefore provides less security to the Owners of the Bonds should it be necessary for the City to foreclose due to the nonpayment of the Special Taxes levied on undeveloped property. Furthermore, a lack of sales of the land within the CFD results in slower rates of diversification of property ownership within the CFD. The timely payment of Special Tax levied on Property depends primarily upon the ability and willingness of owners of such property to pay such taxes when due. A slowdown in or cessation of the development of land within the CFD could reduce the ability and willingness of such owners to make Special Tax payments, and could greatly reduce the value of such property in the event it has to be foreclosed upon to collect delinquent Special Taxes. See “RISK FACTORS—Levy and Collection of the Special Taxes – Factors that Could Lead to Special Tax Deficiencies – Delays Following Delinquencies and Foreclosure Sales” and “RISK FACTORS—Bankruptcy Delays” herein for a discussion of certain limitations on the ability of the City to pursue judicial foreclosure proceedings with respect to taxpayers with delinquent Special Taxes.

Construction Risk

Development of property within the CFD is conditioned upon the construction of certain improvements, including the acquisition and development of a detention basin and construction of a pump station, and the extension of Newcastle Road. See “THE CFD—the Improvements.” Such construction is subject to a number of risks, including, without limitation, inclement weather, shortages of or other supply problems relating to labor and materials, design or construction defects, delays in obtaining governmental or agency approvals and permits, compliance with existing permits and approvals and other risks. The realization of one or more of such risks could result in delays to or a failure to complete such required facilities, which could in turn result in delays to or a failure to develop the currently undeveloped land within the CFD. See “RISK FACTORS—Failure to Complete Development” herein.

Costs of the 2018 Improvements in excess of available proceeds of the Series 2018B CFD Bonds will be the responsibility of Norcal Landco, LLC (see “THE CFD—The Improvements”), and while the Fiscal Agent Agreement allows for the issuance of Parity CFD Bonds proceeds of which would be used to pay costs of the remaining public improvement to be constructed in order to allow for the buildout of the undeveloped property in the CFD (see “SECURITY FOR THE CFD BONDS—Parity CFD Bonds”), no assurance can be given that any such Parity CFD Bonds will be issued. The ability to pay for any such cost overruns and, if Parity CFD Bonds are not issued, to pay for such remaining improvement, and in any event to complete the construction of the Future Improvements and any other improvements in the CFD is dependent

on the availability of funding sources to the applicable Landowners. No assurances can be given that the Landowners will obtain any such funding in a manner timely enough to avoid delays to the development of the land within the CFD.

Bankruptcy Delays

The payment of the Special Taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by State laws relating to judicial foreclosure.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the CFD Bonds.

Disclosure to Future Purchasers

The City has recorded, in the Office of the County Recorder, a notice of the Special Tax lien for the CFD. 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 the obligations represented by the Special Taxes in the purchase of a parcel of land in the CFD, or the lending of money secured by property in the CFD.

No Acceleration; Right to Pursue Remedies

Neither the Bonds nor the CFD Bonds contain a provision allowing for acceleration of unpaid principal if a payment default or other default occurs under the Indenture or the Fiscal Agent Agreement. See "APPENDIX C—Summary of Principal Legal Documents."

So long as the Bonds are in book-entry form, DTC will be the sole Bond Owner and will be entitled to exercise all rights and remedies of Bond Owners under the Bonds and the Indenture.

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS—Tax Matters," interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Authority in violation of its covenants in the Indenture, or of the City in violation of its covenants in the Fiscal Agent Agreement.

The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain

outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption. See “THE BONDS—Redemption.”

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

Voter Initiatives

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

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

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

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

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

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

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond 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.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

THE AUTHORITY

The Authority is a joint exercise of powers authority organized and existing under Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The Authority was created by a Joint Exercise of Powers Agreement, dated as of June 18, 1990, between the City and the former Redevelopment Agency of the City of Stockton. The Authority is administered by a eight member Board of Directors who are the Mayor and members of the City Council.

The Authority was created for the purpose, among others, of facilitating the financing and refinancing of public capital improvements in the City.

LEGAL MATTERS

Tax Matters

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Bond proceeds and the facilities financed therewith, and certain other matters. The Authority and the City have covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to compliance by the Authority and the City with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, except for interest on any Bond for any period during which the Bond is owned by a person who is a substantial user of the facilities financed by the Bonds or any person considered to be related to such person (within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code")), and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations for taxable years that began prior to January 1, 2018.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority and the City with respect to certain material facts within the Authority's and the City's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

The issue price (the "Issue Price") for the Bonds is the price at which a substantial amount of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Authority comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bonds. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. For example, legislation has been introduced in the current session of Congress which would, among other things and if enacted, change the income tax rates for individuals and corporations and repeal the federal alternative minimum tax. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon issuance of the Bonds is set forth in APPENDIX D.

Absence of Litigation

The Authority and the City will certify at the time the Bonds are issued that no litigation is known to be pending or threatened concerning the validity of the Bonds or the CFD Bonds and that no action, suit or proceeding is known by the Authority or the City to be pending that would restrain or enjoin the delivery of the Bonds or the CFD Bonds, or contest or affect the validity of the Bonds or the CFD Bonds or any proceedings of the Authority or the City taken with respect to the Bonds or the CFD Bonds.

Legal Opinion

All proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, Bond Counsel. The unqualified opinion of Bond Counsel approving the validity of the Bonds is attached as APPENDIX D.

NO RATING

The Authority has not made, and does not intend to make, any application to any rating agency for the assignment of a rating for the Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

Grant Thornton, LLP, independent accountants, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared for the City, relating to the sufficiency of moneys and securities deposited into the Escrow Fund to pay, when due, the redemption prices of the Prior CFD Bonds.

The report of Grant Thornton, LLP, will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

MUNICIPAL ADVISOR

The City and the Authority have retained Del Rio Advisors, LLC, Modesto, California, as their Municipal Advisor (the “**Municipal Advisor**”) in connection with the authorization and delivery of the Bonds. The Municipal Advisor has assisted in various matters relating to the planning, structuring and sale of the Bonds. The Municipal Advisor has not independently

verified any of the data contained in the Official Statement or conducted a detailed investigation of the affairs of the City or the Authority to determine the accuracy or completeness of this Official Statement.

UNDERWRITING

RBC Capital Markets, LLC (the “**Underwriter**”), has agreed to purchase the Bonds at a purchase price of \$_____ (being the aggregate principal amount of the Bonds (\$_____), less an underwriter’s discount of \$_____, and *plus/less* an original issue premium/ discount of \$_____).

The Underwriter may change the initial public offering prices of the Bonds from time to time. The agreement under which the Underwriter has agreed to purchase the Bonds provides that the Underwriter will purchase all the Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth therein, including, among others, the approval of certain legal matters by counsel.

The Underwriter and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

The City

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the CFD (the “**Annual Report**”) by not later than the March 31 following the end of the City’s fiscal year, commencing March 31, 2019, with the report for the fiscal year ending June 30, 2018, and to provide notices of the occurrence of certain listed events (“**Notice Events**”). These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX E.

The City and related governmental entities – specifically those entities, like the Authority, 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. 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 audit was completed on or about June 30, 2018. Additionally, in August 2018, a group of underwriters (which included the Underwriter) for a different Authority bond issue engaged DAC to complete a compliance review.

In the preceding five years, the City failed to timely comply in certain respects with its previous undertakings with regard to the Rule to provide annual reports, adopted budgets, or notices of Notice Events, and in some instances information was not associated with the correct CUSIP number. In addition, on several occasions during the last five years the City failed to provide its audited or unaudited financial statements in the time required by its continuing disclosure undertakings, including the audited financial statements for Fiscal Year 2011-12 and Fiscal Year 2012-13 and Fiscal Year 2016-17 audited financial statements with respect to certain bonds. The City's compliance with its previous undertakings for Fiscal Years 2011-12 and 2012-13 was complicated by the City's then bankruptcy proceedings, and while the City filed with EMMA detailed information as and when available with respect to the bankruptcy, the completion of its audited financial statements demanded more time in past years than expected and as was agreed to in its previous undertakings.

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

Norcal Landco, LLC

Norcal Landco, LLC will agree for the benefit of the owners of the Bonds in a Continuing Disclosure Agreement to provide certain information on an annual and a semiannual basis, and notice of the occurrence of certain events with respect to it and the property it owns in the CFD. Nevertheless, the Underwriter does not consider Norcal Landco, LLC to be an "obligated person" for purposes of the Rule. The complete text of the Continuing Disclosure Agreement of Norcal Landco, LLC is set forth in Appendix F. Norcal Landco, LLC's obligation to provide continuing annual, semiannual and event disclosure will terminate if and when Norcal Landco, LLC no longer owns property in the CFD that is subject to twenty percent (20%) or more of the Special Tax levy for the then current fiscal year.

Norcal Landco, LLC has advised that it has not been subject to any previous continuing disclosure obligation.

Remedies for Failures to Comply

A failure by the City or Norcal Landco, LLC to comply with the provisions of its respective continuing disclosure obligation is not an event of default under the Indenture or the Fiscal Agent Agreement (although the holders and beneficial owners of the Bonds do have remedies at law and in equity). However, a failure by the City to comply with the provisions of its Continuing Disclosure Certificate must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the City to comply with the provisions of its Continuing Disclosure Certificate may adversely affect the marketability of the Bonds on the secondary market.

EXECUTION

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

STOCKTON PUBLIC FINANCING
AUTHORITY

By: _____
Treasurer

CITY OF STOCKTON

By: _____
Director of Administrative Services /
Chief Financial Officer

APPENDIX A

**ARCH ROAD EAST
COMMUNITY FACILITIES DISTRICT NO. 99-02
CITY OF STOCKTON, SAN JOAQUIN COUNTY, CALIFORNIA**

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

1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (Act) applicable to the land in Arch Road East Community Facilities District No. 99-02 (CFD) of the City of Stockton (City) shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. Definitions

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

“Administrative Expenses” means the following actual or estimated costs directly related to the administration of the CFD: the cost of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the cost of remitting the Special Taxes to the Trustee; the cost of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Bond Indenture; the cost to the City, the CFD, or any designee thereof of complying with arbitrage rebate requirements; the cost to the City, the CFD, or any designee thereof of complying with City, CFD, or obligated persons disclosure requirements associated with applicable federal and State securities laws and of the Act; the costs associated with prepared Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, the CFD, or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from any escrow account; and the City’s annual administration fees and third party expenses. Administrative Expenses also shall include amounts estimated or advanced by the City or the CFD for any other administrative purpose of the CFD, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“Administrator” means an official of the City, or designee thereof, responsible for determining the Annual Costs and providing for the levy and collection of the Special Taxes.

“Annual Costs” means the sum of the following amounts for a Fiscal Year;

- a. Debt Service to be paid from Special Taxes collected during such Fiscal Year;
- b. Administrative Expenses for such Fiscal Year;
- c. Any amounts needed to establish or replenish any reserve fund for Bonds to the level required under the Bond Indenture;
- d. An amount to pay for reasonably anticipated delinquencies in payments of Special Taxes, based on the delinquency rate for the Special Taxes

levied in the previous Fiscal Year and/or as anticipated for the current Fiscal Year;

- e. An amount needed to pay costs of facilities authorized to be financing by the CFD; and
- f. Less any credit from interest earnings on any Bond reserve fund or any other revenues accrued to the CFD as provided in the Bond Indenture or as otherwise approved by the City.

“Assessor Parcel Map” means an official map of the County Assessor that designates parcels by Assessor Parcel number.

“Base Year” means the Fiscal Year beginning July 1, 2007, and ending on June 30, 2008.

“Base Year per Acre Tax Rate” means the Maximum Annual Special Tax Rate in the Base Year, expressed on a per-Acre basis as shown on Attachment 1. The Base Year per Acre Tax Rate is to be increased by Tax Escalation Factor each Fiscal Year.

“Benefit Share” means the Maximum Annual Special Tax for a Parcel divided by the Maximum Annual Special Tax Revenue.

“Bond Indenture” means the indenture, fiscal agent agreement, or other financing document pursuant to which the bonds are issued.

“Bond Share” means share of Estimated Bonds for a Parcel as determined by multiplying the Benefit Share by the total amount of Estimated Bonds for the CFD.

“Bonds” means any bond or other debt (as defined in Section 53317[d] of the Act), whether in one or more series, issued by the CFD under the Act.

“CFD” means the Arch Road East Community Facilities District No. 99-02, City of Stockton, San Joaquin County, California.

“City” means the City of Stockton, California.

“Council” means the City Council of Stockton acting as the legislative body for the CFD under the Act.

“County” means the County of San Joaquin, California.

“County Assessor’s Parcel” means a lot or Parcel with an assigned Assessor’s Parcel Number in the maps used by the County Assessor in the preparation of the tax roll.

“Debt Service” means the total amount of principal, interest, and scheduled sinking-fund payments for any outstanding bonds for a given payment period.

“Estimated Bonds” means the estimated amount of Bonds currently outstanding and/or Future Bond Proceeds that may be available through potential future Bond issues based on the Maximum Annual Special Tax Revenue that can be generated by the CFD, as determined by the Administrator.

“Final Map” means a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates lots that do not need to be further subdivided before the issuance of a building permit for a structure.

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

“Future Bond Proceeds” means the net amount of Proceeds (after deducting all Bond issuance costs and anticipated Reserve Funds) that would be available to fund Authorized Facilities as determined by the total amount of Maximum Annual Special Tax Revenue available to fund additional Bond issuances.

“Maximum Annual Special Tax” means the greatest amount of Special Tax that can be levied against a Taxable Parcel in any Fiscal Year as shown in Attachment 1 and calculated pursuant to Section 5.

“Maximum Annual Special Tax Revenue” means the greatest amount of annual revenue that can be collected by levying the Maximum Annual Special Tax against all Taxable Parcels.

“Original Parcel” means a Parcel as identified by Assessor’s Parcel Number on Attachment 1.

“Outstanding Bonds” means the total principal amount of Bonds issued by the City for the CFD and not retired or defeased.

“Parcel” means any County Assessor’s Parcel in the CFD, based on the equalized tax rolls of the County for the current Fiscal Year.

“Parcel Acre(age)” means the land area of a Parcel as shown on an Assessor Parcel Map or, if the land area is not shown on an Assessor Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded with the County.

“Partial Prepayment” means a prepayment of a portion of a Parcel’s Special Tax Obligation as set forth in Section 7.

“Partial Prepayment Factor” means a factor by which the Maximum Annual Special Tax for a Partial Prepayment Parcel is multiplied to calculate an adjusted Maximum Annual Special Tax for such Parcel. Each Partial Prepayment Factor shall be calculated according to the steps described under Section 7.

“Public Parcel” means any Parcel that is publicly owned by the State of California, the County, the City, or any local government or other public agency and that is normally exempt from the levy of general ad valorem property taxes under California law, including public streets; schools; parks; public drainageways and detention basins, public landscaping, wetlands, greenbelts, and public open space, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

“Reserve Fund(s)” means the amount of CFD Bond Proceeds set aside by the City in a bond reserve account for the purpose of providing additional security to the bond holders for payment of principal and interest on the bonds, as specified in the bond resolution.

“Reserve Fund Share” means the Benefit Share for a given Parcel that is multiplied by the Reserve Fund amount on all Outstanding Bonds.

“Special Tax(es)” mean(s) any tax levy under the Act in the CFD.

“Subdivision” means a division of a Parcel into two or more Successor Parcels.

“Successor Parcel” means a Parcel created by Subdivision, lot line adjustment, or parcel map from an Original or Successor Parcel or Parcels.

“Tax Collection Schedule” means the document prepared by the City for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

“Tax Escalation Factor” means a factor of 2 percent that will be applied annually with compounding after the Base Year to increase the Maximum Annual Special Tax, as shown in Attachment 1.

“Taxable Parcel” means any Parcel that is not a Tax-Exempt Parcel.

“Tax-Exempt Parcel” means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include (i) a Parcel that was a Public Parcel at the formation of the CFD, (ii) any Parcel that has prepaid its Special Taxes under Section 7 hereof, or (iii) any Parcel that is exempt from the Special Tax under the Act.

“Trustee” means the trustee or fiscal agent under the Bond Indenture.

3. Determination of Parcels Subject to Special Tax

The Administrator shall prepare a list of the Parcels subject to the Special Tax, using the records of the County Assessor and City records each Fiscal Year. The Administrator shall identify the Taxable Parcels from a list of all Parcels in the CFD by excluding all Tax-Exempt Parcels as of January 1 preceding the current Fiscal Year.

4. Termination of the Special Tax

The Special Tax will be levied and collected for as long as needed to pay the principal and interest on debt and other costs incurred for the CFD and to pay Annual Costs. However, in no event shall the Special Tax be levied after Fiscal Year 2042–2043.

When Special Tax revenues are no longer needed to pay Annual Costs, the Special Tax shall cease to be levied. The Administrator shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished. The Notice of Cessation of Special Tax additionally shall identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

5. Assignment of Maximum Annual Special Tax

In each Fiscal Year the Maximum Annual Special Tax for the CFD will be calculated using the procedures outlined below.

- A. Classification of Parcels. Each Fiscal Year, using the Definitions in Section 2 above, the Parcel records of the County Assessor’s Secured Tax Roll, and other

City development approval records, the Administrator shall cause the following events to occur:

- 1) Each Parcel to be classified as a Tax-Exempt Parcel, or a Taxable Parcel,
 - 2 Each Taxable Parcel to be classified as Original Parcel or Successor Parcel.
- B. Assignment of the Maximum Annual Special Tax to Original Parcels. The Maximum Annual Special Tax for Original Parcels in the Base Year is shown in Attachment 1. In each Fiscal Year after the Base Year, the Maximum Annual Special Tax is increased by the Tax Escalation Factor.
- C. Assignment of the Maximum Annual Special Tax to Successor Parcels. The Maximum Annual Special Tax is assigned to Successor Parcels through the following steps.
- 1) When an Original or Successor Parcel is Subdivided, the Administrator shall classify the resulting Successor Parcels as Taxable Parcels or Tax-Exempt Parcels, using the definitions in Section 2.
 - 2) If the Successor Parcel is a Taxable Parcel:
 - a. Calculate the percentage of the taxable Successor Parcel's Parcel Acreage to the total Parcel Acreage for all taxable Successor Parcels of that Original or Successor Parcel being Subdivided.
 - b. Multiply this percentage by the Maximum Annual Special Tax assigned to the subdivided Original Parcel or Successor Parcel as increased by the Tax Escalation Factor. The result of this calculation is the Maximum Annual Special Tax for the Successor Parcel in question. Under no circumstances shall the sum of the resulting Maximum Annual Special Taxes for all Successor Parcels be less than the Maximum Annual Special Tax for the subdivided Original Parcel or Successor Parcel.
- D. Assignment of Maximum Annual Special Tax Partial Prepayment Parcel. The Maximum Annual Special Tax for a Partial Prepayment Parcel is assigned by multiplying the Maximum Annual Special Tax from Attachment 1, or as otherwise calculated for a Taxable Parcel in Section 5.C above, by the Partial Prepayment Factor for the Parcel.
- E. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is converted to a Taxable Parcel, that Parcel shall become subject to the Special Tax. The Maximum Annual Special Tax for each such Parcel shall be based on the Parcel Acreage of the Parcel times the Base Year per Acre Tax Rate as increased by Tax Escalation Factor.
- F. Taxable Parcel Acquired by a Public Agency. A Taxable Parcel acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax Obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this circumstance may be made if a Public Parcel, such as a detention basin, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable acreage becomes

a Taxable Parcel and the Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This trading of a Parcel from a Taxable Parcel to a Public Parcel will be permitted to the extent that there is no net loss in Maximum Annual Special Tax Revenue and that the transfer is agreed to by the owners of the Parcels involved in the transfer and the Administrator.

- G. Annexation of Parcels into the CFD. Parcels may be annexed into the CFD only as Taxable Parcels and will be assigned a Maximum Annual Special Tax consistent with the Maximum Annual Special Tax listed for Tax-Exempt Parcels converting to Taxable Parcels under Section 5.E above.

6. Setting the Annual Special Tax Rate for Taxable Parcels

The City shall calculate the Special Tax levy for each Taxable Parcel for each Fiscal Year as follows:

- A. Compute the Annual Costs, using the definitions in Section 2.
- B. Calculate the Special Tax for each Parcel for each Fiscal Year as follows:
 - Step 1: Calculate the revenue from taxing all Taxable Parcels at their Maximum Annual Special Tax Rate and compare to Annual Costs.
 - Step 2: If Annual Costs are less than revenues from taxing all Taxable Parcels at their maximum, decrease proportionately the Maximum Annual Special Tax levy for each Taxable Parcel until the Special Taxes equal the Annual Costs.
- C. Prepare the Tax Collection Schedule listing the Special Tax levy for each Taxable Parcel and send it to the County Auditor, requesting it be placed on the general, secured property tax roll for the following Fiscal Year.

As development and subdivision of the project occurs, the City will maintain a file of each current County Assessor's Parcel Number in the CFD, the Parcel's Maximum Annual Special Tax, and the Maximum Annual Special Tax Revenues for all Taxable Parcels available for public inspection. This record shall show the calculation of the assigned Maximum Annual Special Tax to each Original and each Successor Parcel and a brief description of the process of assigning the Special Tax each time a Successor Parcel was created.

The Administrator shall maintain a record showing the calculation of the assigned Maximum Annual Special Tax to each Taxable Parcel and a brief description of the process of assigning the Special Tax each time a Taxable Parcel is Subdivided.

7. Prepayment of Special Tax Obligation

Landowners may permanently satisfy the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. By exercising the right to Prepayment, a landowner can eliminate future annual Special Tax Obligation for a Parcel. Prepayment is permitted only under the following conditions:

- The Administrator determines that Prepayment does not jeopardize the ability to make timely payments of Debt Service on Outstanding Bonds or repayment of the Bonds;

- Any landowner who wishes to exercise the right to Prepayment for a Parcel must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel; and
- If Special Taxes have already been levied but not collected at the time the Prepayment is calculated, the owner of the Parcel(s) must pay the Special Taxes included on the property tax bill in addition to the Prepayment amount.

The amount of the Special Tax prepayment shall be established as follows:

Part A. Full Prepayment of Special Tax Obligation.

- Step A.1: Determine the Maximum Annual Special Tax for the prepaying Parcel by following the procedure on the assignment of the Maximum Annual Special Tax described in Section 5 above.
- Step A.2: Divide the Maximum Annual Special Tax for the prepaying Parcel from Step A.1 by the Maximum Annual Special Tax Revenue to determine the Benefit Share.
- Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share from Step A.2 by the Estimated Bonds. For purposes of this calculation, reduce the Estimated Bond balance by the amount of principal payment for which Special Taxes have been levied but not yet collected and by the amount of principal paid to date.
- Step A.4: Determine the Reserve Fund Share associated with the Bond Share determined in Step A.3 and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the Reserve Fund Requirement on all Estimated Bonds or the actual Reserve Fund, whichever is less, multiplied by the Benefit Share determined in Step A.2.
- Step A.5: Determine the Prepayment amount by subtracting the Reserve Fund Share (from Step A.4) from the sum of the Bond Share amount (from Step A.3). Add to this Prepayment amount any fees, call premiums, and expenses incurred by the City in connection with the Prepayment calculation or the application of the proceeds to the call of the Bonds. If Special Taxes already have been levied but not yet collected at the time the Prepayment is calculated, the owner of the Parcel must pay the Special Taxes included on the property tax bill in addition to the Prepayment amount.

Part B. Partial Prepayment of Special Tax Obligation.

If the Prepayment is a Partial Prepayment, then the property owner shall designate an amount that is less than the full Prepayment amount determined above for the Parcel (or group of such Parcels) for which the Special Tax is to be partially prepaid but that, based on a calculation provided by the Administrator, will provide sufficient funds for a Bond call in a whole-number multiple of \$5,000. The Administrator shall determine the Partial Prepayment Factor used to decrease the Maximum Annual Special Tax for the Parcel by the following procedure:

- Step B.1 Calculate the full Prepayment amount from Step A.5.

- Step B.2 Subtract the amount of the Partial Prepayment, less any fees, call premiums, and expenses incurred by the City in connection with the Prepayment calculation or the application of the proceeds of the Prepayment to the call of Bonds, from the full Prepayment amount calculated in Step B.1. If a Partial Prepayment has been previously made for Partial Prepayment Parcel also subtract the amount of the previous Partial Prepayment, less any fees, call premiums, and expenses incurred by the City in connection with the Prepayment calculation or the application of the proceeds of the Prepayment to the call of Bonds for the previous Partial Prepayment.
- Step B.3 Divide the result of Step B.2 by the result of Step B.1 to determine the Partial Prepayment Factor. The Partial Prepayment Factor is used to decrease the Maximum Annual Special Tax for the Parcel for which the Special Tax is partially prepaid.

8. Appeals and Interpretation

Any taxpayer who feels that the amount of the Special Tax assigned to a Parcel is in error may file a notice with the Administrator appealing the levy of the Special Tax. The Administrator will promptly review the appeal and, if necessary, meet with the applicant. If the Administrator verifies that the tax should be modified or changed, a recommendation at that time will be made to the City Council, and as appropriate, future Special Tax levies shall be adjusted. No refunds shall be granted.

Interpretations of this Rate, Method of Apportionment, and Manner of Collection of Special Tax may be made by appropriate staff of the City or by Resolution of the City Council for purposes of reasonably clarifying any vagueness or ambiguity or supplying missing detail as it relates to the Special Tax rate, the method of apportionment, the allocation of Maximum Annual Special Taxes among Successor Parcels, the classification of properties, or any definition applicable to the CFD.

9. Manner of Collection

The Special Tax will be collected in the same manner and at the same time as ad valorem property taxes provided, however, that the City or its designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary to meet its financial obligation.

Attachment 1
City of Stockton CFD No. 99-02
Arch Road East CFD
Base Year Maximum Annual Special Tax^[1]

Parcels	Acres	Percent of Total Acreage	Base Year Maximum Annual Special Tax Per Original Parcel ^[2]
<u>Original</u>			
179-220-06	143.8	30.4%	\$816,784
179-220-28	49.3	10.4%	\$280,024
181-100-02	133.5	28.2%	\$758,280
181-100-05	4.5	1.0%	\$25,560
181-110-17	37.4	7.9%	\$212,432
181-110-19	10.3	2.2%	\$58,504
181-110-20	8.5	1.8%	\$48,280
<u>Annexed</u>			
179-220-27	69.0	14.6%	\$391,920
181-100-01	16.7	3.5%	\$94,856
<u>With Special Tax Prepaid</u>			
179-220-290	N/A	0.0%	Paid off in 01/03
181-110-10	N/A	0.0%	Paid off in 07/06
181-110-11	N/A	0.0%	Paid off in 12/03
181-110-13	N/A	0.0%	Paid off in 04/06
181-110-16	N/A	0.0%	Paid off in 2002
181-110-18	N/A	0.0%	Paid off in 08/05
Totals	473.0	100.0%	\$2,686,640
Base Year per Acre Tax Rate			\$5,680 per Acre

[1] The Maximum Annual Special Tax is increased each Fiscal Year after the Base Year by the Tax Escalation Factor.

[2] The Maximum Annual Special Tax is assigned to Original Parcels at the formation of the CFD. As Original Parcels are Subdivided, the Maximum Annual Special Tax is allocated to Successor Parcels on a pro-rata basis, based on the percentage of Parcel Acreage of each Successor Parcel as compared to the Parcel Acreage for all Taxable Successor Parcels resulting from the Subdivision.

APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF STOCKTON
AND THE COUNTY OF SAN JOAQUIN**

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 Bonds are not a debt of the City, the County, or the State of California (the "State") or any of its political subdivisions. The Bonds are payable solely from the revenues and funds pledged therefor under the Indenture, as described in the Official Statement. See "SECURITY FOR THE BONDS."

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 is elected by City-wide election, and the representatives of the City Council are elected from six districts 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.

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

**Table B-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 B-2
CITY OF STOCKTON
Key Administrative Personnel

Name	Position
Kurt O. Wilson	City Manager
John M. Luebberke	City Attorney
Matt Paulin	Chief Financial Officer
Kevin Beltz	Program Manager
Moss Adams LLP	City Auditor
Christian Clegg	Interim 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.

Population

Population information is set forth in Table B-3.

Table B-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.

Labor Force and Employment

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

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2017				
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
2016				
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
2015				
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
2014				
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
2013				
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 B-5.

Table B-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	0.18
TOTAL			5.27%

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

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

Table B-6
STOCKTON-LODI MSA
Industry Employment 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

† 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 B-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 B-7
STOCKTON-LODI MSA, STATE OF CALIFORNIA AND UNITED STATES
Personal Income

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2016[†]		
Stockton MSA	\$29,684	\$40,458
State	2,212,691	56,374
United States	15,912,770	49,246
2015		
Stockton MSA	28,280	39,087
State	2,133,664	54,718
United States	15,547,661	48,451
2014		
Stockton MSA	26,272	36,836
State	1,986,026	51,344
United States	14,811,388	46,494
2013		
Stockton MSA	24,681	35,095
State	1,861,957	48,570
United States	14,068,960	44,493
2012		
Stockton MSA	23,811	33,986
State	1,838,567	48,369
United States	13,904,485	44,282

[†] 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 B-8.

Table B-8
CITY OF STOCKTON
Total Building Permit Valuations
(\$ in thousands)

Permit Valuation	2013	2014	2015	2016	2017
New Single Family	\$24,633	\$19,135	\$32,955	\$58,735	\$65,566
New Multiple Family	7,265	1,011	29,605	14,797	13,037
Residential				75,506	62,938
Alterations/ Additions	9,608	13,577	12,860		
TOTAL RESIDENTIAL	41,507	33,724	75,421	149,038	141,541
TOTAL NONRESIDENTIAL	92,300	87,732	78,556	122,975	255,824
TOTAL	\$133,808	\$121,456	\$153,978	\$270,013	\$397,365
Net Dwelling Units	2013	2014	2015	2016	2017
Single Family	96	75	123	215	238
Multiple Family	70	4	257	25	115
TOTAL	166	79	380	240	353

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

(2) Most recent annual data available.

Sources: Construction Industry Research Board: "Building Permit Summary" for years 2013 through 2017.

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 Heat Minor League Hockey Team and of the Stockton Kings, a professional basketball 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 C
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

FORM OF BOND COUNSEL OPINION

December __, 2018

Stockton Public Financing Authority
c/o City of Stockton
425 North El Dorado Street
Stockton, California, 95202

OPINION: \$_____ Stockton Public Financing Authority Revenue Bonds
(Arch Road East CFD No. 99-02) Series 2018A

Members of the Authority:

We have acted as bond counsel to the Stockton Public Financing Authority (the “Authority”) in connection with the issuance by the Authority of the above-referenced bonds (the “Bonds”), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Bond Law”), and pursuant to an Indenture of Trust, dated as of December 1, 2018 (the “Indenture”), between the Authority and Wells Fargo Bank, National Association, as trustee. The Bonds will be payable from Revenues, as such term is defined in the Indenture, consisting primarily of payments of debt service on two series of special tax bonds (collectively, the “Special Tax Bonds”) issued by the City of Stockton (the “City”) pursuant to a Fiscal Agent Agreement, dated as of December 1, 2018 (the “Fiscal Agent Agreement”), by and between the City and Wells Fargo Bank, National Association, as fiscal agent.

In connection with this opinion, we have examined the Bond Law, the Indenture, the Fiscal Agent Agreement and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture, of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the United States of America, with the power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Indenture has been duly entered into by the Authority and constitutes a valid and binding obligation of the Authority enforceable upon the Authority.
3. Pursuant to the Bond Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

5. Subject to the Authority's and the City's compliance with certain covenants, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations for taxable years that began prior to January 1, 2018. Failure by the Authority or the City to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the Special Tax Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority, the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Stockton, California (the "City") in connection with the issuance of \$_____ Stockton Public Financing Authority Revenue Bonds (Arch Road East CFD No. 99-02) Series 2018A (the "2018 Bonds"). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of December 1, 2018 (the "Indenture"), between the Stockton Public Financing Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the 2018 Bonds and to assist the Participating Underwriters 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 have the following meanings when used in this Disclosure Certificate:

"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 who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2018 Bond (including persons holding any 2018 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2018 Bond for federal income tax purposes.

"Dissemination Agent" means any entity designated in writing by the City to perform the duties specified in Section 3(c) of this Disclosure Certificate and which has filed with the City a written acceptance of such designation.

"EMMA" means the MSRB's Electronic Municipal Market Access system.

"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 other annual accounting period thereafter by the City as its Fiscal Year with notice of such selection of change in fiscal year to be provided as set forth herein.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" means the Official Statement, dated December __, 2018, with respect to the 2018 Bonds.

“Participating Underwriter” means RBC Capital Markets, LLC as the original underwriter of the 2018 Bonds required to comply with the Rule in connection with offering of the 2018 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.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the March 31 following the end of the City’s Fiscal Year (presently June 30), commencing with the report for the 2017-18 Fiscal Year, provide to the MSRB through EMMA, in an electronic format and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements described in Section 4 may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if the audited financial statements are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City provides the Annual Report to the Dissemination Agent pursuant to the preceding sentence, the City shall provide written certification to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent) that such Annual Report constitutes the Annual Report required to be furnished pursuant to this Disclosure Certificate. The Dissemination Agent and the Trustee may conclusively rely upon such certification of the City and shall have no obligation to review such Annual Report. If the City is unable to provide an Annual Report to the MSRB through EMMA by the date required in subsection (a), the City shall send a notice in a timely manner to the MSRB through EMMA, in substantially the form attached as Exhibit A to this Disclosure Certificate.

(c) If the Dissemination Agent is other than the City, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the applicable electronic format for filings through EMMA;

(ii) file the Annual Report with the MSRB through EMMA by the date required therefor by Section 3(a) and file any notice of a Listed Event, if requested by the City, as soon as practicable following receipt from the City of such notice; and

(iii) file a report with the City and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Reports. It is acknowledged that the Closing Date for the 2018 Bonds occurred after the end of the 2017-2018 fiscal year of the Authority. In light of the foregoing, submission of the Official Statement shall satisfy the Authority’s obligation to file an Annual Report for fiscal year 2017-2018.

The Annual Report for each fiscal year commencing with the Annual Report for the 2018-2019 fiscal year, shall contain or incorporate by reference the following:

(a) Audited financial statements of the City for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional information:

(i) A maturity schedule for the outstanding 2018 Bonds, and a listing of 2018 Bonds, if any, redeemed prior to maturity during the prior Fiscal Year.

(ii) Total deposits to the Revenue Fund for the prior Fiscal Year, together with a statement of the debt service requirement for the 2018 Bonds discharged by the Revenue Fund in the prior Fiscal Year.

(iii) The balance in the Reserve Fund as of the end of the prior Fiscal Year, together with a statement as to the Reserve Requirement as of such Fiscal Year end.

(iv) A table indicating the levy of Special Taxes, amount collected, delinquent amount and percent of Special Tax levy delinquent for the most recent Fiscal Year.

(v) The aggregate assessed value of the properties in the Community Facilities District for the most recent Fiscal Year.

(vi) Identification of each delinquent property owner in the Community Facilities District representing more than 5% of the levy of Special Taxes in the Community Facilities District, and the value-to-lien ratios of the corresponding property, together with the following information respecting each such parcel:

- (A) the amount delinquent (exclusive of late charges and monthly penalties for reinstatement) and the assessed value of such parcel;
- (B) the date of the first delinquency;
- (C) the status of any foreclosure action by the City;
- (D) in the event a foreclosure complaint has been filed respecting such delinquent parcel and such complaint has not yet been dismissed, the date on which the complaint was filed in the California Superior Court; and
- (E) in the event a foreclosure sale has occurred respecting such delinquent parcel, a summary of the results of such foreclosure sale.

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 that are available to the public from the MSRB's internet website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference; provided that, if any document incorporated by reference is a final official statement, it must be available from the MSRB.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2018 Bonds not later than ten (10) business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the 2018 Bonds or other material events adversely affecting the tax status of the 2018 Bonds;
- (6) modifications to rights of Owners, if material;
- (7) substitution of credit or liquidity providers, or their failure to perform;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the 2018 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

For the purpose of the event identified in Section 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for the City 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 City, 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 City.

(b) The Dissemination Agent (if other than the City) shall, promptly upon obtaining actual knowledge at its office as specified in Section 12 hereof of the occurrence of any of the Listed Events, contact the City, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f); provided that, failure by the Dissemination Agent to so notify the City and make such request shall not relieve the City of its duty to report Listed Events as required by this Section 5.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the City shall determine as soon as possible if such event is required to be reported pursuant to this Section 5.

(d) If the City has determined that the occurrence of a Listed Event is required to be reported pursuant to this Section 5, the City shall, within the time prescribed by this Section 5, file a notice of such occurrence with the MSRB through EMMA in an electronic format and accompanied by such identifying information as is prescribed by the MSRB or promptly notify the Dissemination Agent (if other than the City) in writing. Such notice to the Dissemination Agent shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the City determines that the Listed Event is not required to be reported pursuant to this Section 5, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through EMMA in an electronic format and accompanied by such identifying information as is prescribed by the MSRB.

(g) The Dissemination Agent may conclusively rely on an opinion of counsel that the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations under this Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds or (b) if, in the opinion of nationally recognized bond counsel, the City ceases to be an "obligated person" (within the meaning of the Rule) with respect to the 2018 Bonds or the 2018 Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the 2018 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. Any Dissemination Agent designated by the City may resign by providing thirty (30) days' written notice to the City. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with the schedule of fees agreed upon by the City, as amended

from time to time, and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

SECTION 8. 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 if the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2018 Bonds, or the type of business conducted;

(b) The undertaking, 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 2018 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 Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally-recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners.

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 Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should 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.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this

Disclosure Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties under this Disclosure Certificate as are specifically set forth in this Disclosure Certificate, and the City, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2018 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

Date: December __, 2018.

CITY OF STOCKTON, CALIFORNIA

By _____
 Matt Paulin,
 Director of Administrative Services/
 Chief Financial Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: City of Stockton, California

Name of Issue: Stockton Public Financing Authority Revenue Bonds (Arch
Road East CFD No. 99-02) Series 2018A

Date of Issuance: December __, 2018

NOTICE IS HEREBY GIVEN that the City of Stockton, California has not provided an Annual Report with respect to the above-named 2018 Bonds as required by the Continuing Disclosure Certificate, dated December __, 2018, relating to the 2018 Bonds. [The City anticipates that the Annual Report will be filed by _____.]

Date: _____

CITY OF STOCKTON, CALIFORNIA

By: _____
Name: _____
Title: _____

APPENDIX F

CONTINUING DISCLOSURE AGREEMENT OF NORCAL LANDCO, LLC

This Continuing Disclosure Agreement – Landowner (the “Disclosure Agreement”) dated as of December 1, 2018, is by and between WILLDAN FINANCIAL SERVICES, as dissemination agent (the “Dissemination Agent”), and NORCAL LANDCO, LLC, a California limited liability company (the “Landowner”).

RECITALS:

WHEREAS, the Stockton Public Financing Authority (the “Authority”) has issued its Stockton Public Financing Authority Revenue Bonds (Arch Road East CFD No. 99-02) Series 2018A (the “Bonds”); and

WHEREAS, the Bonds have been issued to acquire two series of special tax bonds issued by the City of Stockton, California (the “City”) for the City’s Arch Road East Community Facilities District No. 99-02 (the “CFD”) pursuant to a Fiscal Agent Agreement, dated as of December 1, 2018 (the “Fiscal Agent Agreement”), by and between Wells Fargo Bank, National Association, as fiscal agent (the “Fiscal Agent”), and the City, for and on behalf of the CFD; and

WHEREAS, as of the date of this Disclosure Agreement, the Landowner owns a majority of the undeveloped property in the CFD.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained, and for other consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. In addition to the definitions of capitalized terms set forth in Section 1.1 of the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or in the Recitals above, the following terms shall have the following meanings when used in this Disclosure Agreement:

“Affiliate” means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s executive officers, directors, joint venturers and general partners; provided, however, that in no case shall the Authority be deemed to be an Affiliate of the Landowner for purposes of this Disclosure Agreement. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

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

“Beneficial Owner” means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond

(including persons holding any Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day which is a federal or State of California holiday.

“Disclosure Representative” means the _____ of the Landowner, or his or her designee, or such other person as the Landowner shall designate in writing to the Dissemination Agent from time to time.

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

“EMMA” or “Electronic Municipal Market Access” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“Equity Securities” of any Person means (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or nonvoting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30.

“Government Authority” means any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Agreement.

“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 which 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 November __, 2018, relating to the Bonds.

“Participating Underwriter” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Person” means any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“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 report to be provided by the Landowner on or prior to December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” means the State of California.

“Undeveloped Property” means property in the CFD owned by the Landowner or any Affiliate of the Landowner that has not been improved with improvements that have a significant value on the secured ad valorem tax roll of San Joaquin County, California.

Section 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Landowner and the Dissemination Agent for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule

Section 3. Provision of Annual Reports and Semiannual Reports.

(a) The Landowner shall, or shall cause the Dissemination Agent to, not later than June 15 of each year, commencing June 15, 2019, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, June 15 does not fall on a Business Day, then such deadline shall be extended to the following Business Day. 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 Agreement, provided that the audited financial statements, if any, of the Landowner may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date.

In addition, the Landowner shall, or shall cause the Dissemination Agent to, not later than December 15 of each year, commencing December 15, 2019, provide to EMMA a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, December 15 does not fall on a Business Day, then such deadline shall be extended to the following Business Day.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to EMMA, the Landowner shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Landowner of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to EMMA by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to EMMA by the date required in subsection (a), the

Dissemination Agent shall send in a timely manner a notice to EMMA in a form that is accepted by EMMA.

(d) The Landowner shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of EMMA; and

(ii) promptly file a report with the Landowner and the City certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to EMMA.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Report and Semiannual Report.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference the information which is available as of the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. Any significant changes in the information about Norcal Landco, LLC or any of the parcels described as owned by it contained in the Official Statement under the headings: "THE CFD—Status of the Taxable Parcels" and "THE CFD—The Landowners;"

2. A general description of the development status of the Undeveloped Property within the CFD.

3. A general description of the status of the Improvements financed by the 2018 Bonds.

4. A summary of property within the CFD sold by or leased by the Landowner since the date of the Official Statement or the most recent Semiannual Report or Annual Report.

5. A description of any change in the legal structure of the Landowner.

6. Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant adverse impact on the Landowner's ability to pay the Special Tax or other taxes or assessments or to continue development of the Undeveloped Property.

7. Any failure by the Landowner or any of its Affiliates to pay when due general property taxes, assessments or special taxes with respect to property in the CFD.

8. Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development of the Undeveloped Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Landowner 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.

(c) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Landowner shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) in a timely manner within 10 Business Days after the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the CFD on a parcel owned by the Landowner or any Affiliate of the Landowner.

2. Damage to or destruction of any of the improvements on a parcel owned by the Landowner or any of its Affiliates in the CFD which has a material adverse effect on the value of the parcel.

3. Material default by the Landowner or any Affiliate of the Landowner on any loan with respect to the construction or permanent financing of improvements to any parcel in the CFD owned by the Landowner or any Affiliate of the Landowner.

4. Material default by the Landowner or any Affiliate of the Landowner on any loan secured by property within the CFD owned by the Landowner or any Affiliate of the Landowner.

5. The filing of any proceedings with respect to the Landowner, in which the Landowner may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts.

6. The filing of any proceedings with respect to an Affiliate of the Landowner, in which such Affiliate of the Landowner may be adjudicated as bankrupt or discharged from any or all of its respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts if such adjudication could materially adversely affect the development of Undeveloped Property owned by the Landowner or its Affiliates within the CFD (including the payment of special taxes of the CFD).

7. The filing of any lawsuit against the Landowner or any of its Affiliates with service of process on the Landowner or its Affiliates having occurred) which, in the reasonable judgment of the Landowner, will materially adversely affect the completion of development of the Undeveloped Property, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner or its Affiliates in a manner that would materially adversely affect the completion of the development of the Undeveloped Property.

8. A sale or transfer of all or substantially all of the Landowner's assets or a sale of a majority of the partnership interests, membership interests or outstanding stock of the Landowner.

(b) If a Significant Event occurs under Section 5(a), subsection (2), (3), (4), (6) or (7), the Landowner shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Significant Events.

(c) If an event described in Section 5(a), subsection (1), (5) or (8) occurs, or if the Landowner determines that knowledge of the occurrence of an event described in Section 5(a), subsection (2), (3), (4), (6) or (7) would be material under applicable federal securities laws, the Landowner shall file in a timely manner within 10 Business Days after the occurrence of the respective event a notice of such occurrence with EMMA or with the Dissemination Agent which shall then distribute such notice to EMMA in a timely manner within 10 Business Days after the occurrence of the respective event, with a copy to the Authority. The Landowner shall give notice of the occurrence of any event described in Section 5(a) in any event in a timely fashion by filing a notice thereof with EMMA or with the Dissemination Agent which shall then distribute such notice to EMMA in a timely manner, with a copy to the Authority.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Agreement shall terminate upon the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds,
- (b) if on any date the Landowner and its Affiliates in the aggregate own property within the CFD responsible for less than twenty percent (20%) of the annual Special Tax levy on property in the CFD,
- (c) the date on which all of the parcels in the CFD owned by the Landowner or an Affiliate of the Landowner have a Value to Lien Ratio of at least 10:1, based on the parcel's respective share of the outstanding Bonds as a percentage of the San Joaquin County Assessor's valuation of the parcel (similar to the Value to Lien Ratio presentation in Table 4 in the Official Statement), or
- (d) upon the delivery by the Landowner to the City and the Authority of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Agreement is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Landowner or a private letter ruling obtained by a similar entity to the Landowner.

If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for an Annual Report hereunder.

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The Landowner may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure

Agreement and may discharge any such agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Willdan Financial Services. The Landowner shall advise the City and the Authority in writing upon any change in the identity of the Dissemination Agent.

If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Landowner pursuant to this Disclosure Agreement. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the Landowner. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Agreement and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Landowner shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the Landowner.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the Landowner for its services provided hereunder as agreed to between the Dissemination Agent and the Landowner from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the owners of the Bonds, the Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any written direction from the Landowner or a written opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Landowner, with a copy to the Authority. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3 and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the Landowner to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the Landowner under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Landowner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, 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 the type of business conducted;

(b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Authority Indenture for amendments to the Authority Indenture with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the Authority and the City, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(c) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) and (c) above.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Landowner shall describe such amendment in the next Annual Report or Semiannual 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 Landowner. 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 to EMMA, and (ii) the Annual Report for the year in which the change is made should 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. The comparison of financial data described in clause (ii) of the preceding sentence shall be provided at the time financial statements, if any, are filed under Section 4(a)(7) hereof.

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

The Landowner acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Landowner, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Landowner under such laws.

Section 11. Default. In the event of a failure of the Landowner to comply with any provision of this Disclosure Agreement, the Participating Underwriter or any Bondowner 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 Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement or the Authority Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Landowner to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Reporting Obligation of Developer's Transferees. The Landowner shall, in connection with any sale or transfer of ownership of land within the CFD to a transferee that is not an Affiliate of the Landowner which will result in the transferee (which term shall include any successors and assigns of the Landowner) becoming responsible for the payment of more than twenty percent (20%) of the Special Taxes levied on property within the CFD in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to provide its audited financial statements, if any, and the information of the type described in Sections 4 and 5 of this Disclosure

Agreement; provided that such transferee's obligations under such disclosure agreement shall terminate upon the sold or transferred land being improved with structures, or the land owned by the transferee becoming responsible for the payment of less than twenty percent (20%) of the annual Special Taxes.

Section 13. Developer as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Landowner is an independent contractor and not an agent of the City, the Authority or the CFD.

Section 14. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Developer and Disclosure Representative:	Norcal Landco, LLC 4343 Von Karman Avenue, Suite 200 Newport Beach, CA 92660 Attention: Marc Belluomini, Executive Vice President
Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, CA 92590 Attention: Project Manager
Trustee and Fiscal Agent:	Wells Fargo Bank, N.A. 333 Market Street, 18th Floor San Francisco, CA 94015 Attention: Corporate Trust Department
Participating Underwriter:	RBC Capital Markets Two Embarcadero Center, Suite 1200 San Francisco, CA 94111 Attention: _____
City, Authority or CFD:	City of Stockton 425 N. El Dorado Street Stockton, CA 95202 Attention: Chief Financial Officer

Section 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Landowner, the City, the Authority, the Dissemination Agent, the Trustee, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 16. Assignability. The Landowner shall not assign this Disclosure Agreement or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Landowner and the Authority, assign this Disclosure Agreement and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

Section 17. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 18. Governing Law. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California applicable to contracts made and performed in California.

Section 19. Counterparts. This Disclosure Agreement 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.

NORCAL LANDCO, LLC, a California
limited liability company

By: _____

Name: _____

Title: _____

WILLDAN FINANCIAL SERVICES, as
Dissemination Agent

By: _____

Its: _____

APPENDIX G

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by

the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX H
THE APPRAISAL