

NEW ISSUE – BOOK ENTRY ONLY

NOT RATED

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject however, to certain qualifications described in this Official Statement, under existing law, interest on the 2017 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."



\$4,770,000
CITY OF DIXON
COMMUNITY FACILITIES DISTRICT NO. 2015-1
(VALLEY GLEN NO. 2)
SPECIAL TAX BONDS, SERIES 2017

Dated: Date of Issuance

Due: September 1, as shown on inside cover

The City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Special Tax Bonds, Series 2017 (the "2017 Bonds") are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code) (the "Act") and a Fiscal Agent Agreement (the "Fiscal Agent Agreement"), dated as of August 1, 2017, between the City of Dixon, California, for and on behalf of the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) (the "District"), and MUFG Union Bank, N.A., San Francisco, California, as fiscal agent. The net proceeds of the 2017 Bonds will be used to finance various public improvements necessitated by development occurring in the District. See "PLAN OF FINANCING—Overview."

The 2017 Bonds are payable from certain Special Tax Revenues derived from the levy of the Special Taxes (as such capitalized terms are defined in the Fiscal Agent Agreement) on certain real property located within the boundaries of the District, and are secured by a pledge of the Special Tax Revenues and moneys deposited in certain funds and accounts established under the Fiscal Agent Agreement. See "SECURITY FOR THE 2017 BONDS."

Interest on the 2017 Bonds is payable on March 1 and September 1 of each year, commencing on March 1, 2018. The 2017 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2017 Bonds. Individual purchases of the 2017 Bonds will be made in book-entry form only. Purchasers of the 2017 Bonds will not receive physical certificates representing their ownership interests in the 2017 Bonds purchased. The 2017 Bonds will be issued in the principal amount of \$5,000 and any integral multiple thereof. Principal of and interest on the 2017 Bonds are payable directly to DTC by the Fiscal Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2017 Bonds. See "THE 2017 BONDS" and Appendix F – DTC and the Book Entry Only System.

The 2017 Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments (as such term is defined in the Fiscal Agent Agreement), and mandatory sinking fund redemption, all as more fully described herein. See "THE 2017 BONDS—Redemption."

The City may issue additional bonds for the District that will be secured by a lien on the Special Tax Revenues and by funds pledged under the Fiscal Agent Agreement for the payment of the 2017 Bonds on a parity with the 2017 Bonds. See "SECURITY FOR THE 2017 BONDS—Issuance of Additional Bonds."

NONE OF THE FAITH AND CREDIT OF THE DISTRICT, THE CITY OR THE STATE OF CALIFORNIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE 2017 BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE 2017 BONDS. THE 2017 BONDS ARE NEITHER GENERAL NOR SPECIAL OBLIGATIONS OF THE CITY, NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE CITY FOR THE DISTRICT, PAYABLE SOLELY FROM CERTAIN AMOUNTS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the 2017 Bonds. The purchase of the 2017 Bonds involves significant risks, and the 2017 Bonds are not appropriate investments for all types of investors. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters discussed herein, in considering the investment quality of the 2017 Bonds.

MATURITY SCHEDULE
(see inside cover)

The 2017 Bonds are offered when, as and if issued by the City for the District, subject to approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters with respect to the 2017 Bonds will be passed upon for the City and the District by Churchwell White LLP, Sacramento, California, in its capacity as City Attorney, and by Quint & Thimmig LLP, Larkspur, California, in its capacity as Disclosure Counsel to the City for the 2017 Bonds. Certain legal matters related to the 2017 Bonds will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Underwriter's Counsel. Delivery of the 2017 Bonds is expected to occur through the facilities of DTC on or about September 12, 2017.

STIFEL

The date of this Official Statement is August 22, 2017.

\$4,770,000
CITY OF DIXON
COMMUNITY FACILITIES DISTRICT NO. 2015-1
(VALLEY GLEN NO. 2)
SPECIAL TAX BONDS, SERIES 2017

Maturity Schedule

\$2,395,000 Serial Bonds; CUSIP Prefix: 255650†

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Suffix†</u>
2019	\$ 40,000	2.000%	1.210%	101.532	AW3
2020	45,000	2.000	1.460	101.563	AX1
2021	50,000	2.000	1.700	101.146	AY9
2022	55,000	2.000	1.900	100.471	AZ6
2023	60,000	2.000	2.140	99.219	BA0
2024	65,000	2.000	2.410	97.383	BB8
2025	70,000	2.250	2.620	97.353	BC6
2026	80,000	2.500	2.810	97.556	BD4
2027	85,000	4.000	3.010	108.471	BE2
2028	95,000	4.000	3.120	107.489c	BF9
2029	105,000	4.000	3.220	106.605c	BG7
2030	115,000	4.000	3.350	105.469c	BH5
2031	125,000	4.000	3.470	104.433c	BJ1
2032	135,000	4.000	3.540	103.834c	BK8
2033	145,000	4.000	3.600	103.324c	BL6
2034	155,000	4.000	3.660	102.817c	BM4
2035	170,000	4.000	3.710	102.397c	BN2
2036	180,000	4.000	3.740	102.146c	BP7
2037	195,000	3.625	3.870	96.612	BQ5
2038	205,000	3.750	3.900	97.863	BR3
2039	220,000	3.750	3.930	97.366	BS1

\$2,375,000 3.875% Term Bonds due September 1, 2047 Price 97.827 to Yield 4.000% CUSIP 255650 BT9†

c Priced to the optional redemption date of September 1, 2027 at par.

† Copyright American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the owners of the 2017 Bonds. Neither the City nor the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2017 Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information contained in this Official Statement has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices, and nothing contained in this Official Statement should be relied upon as a promise or representation by the Underwriter.

Neither the City nor the Underwriter has authorized any dealer, broker, salesperson or other person to give any information or make any representations with respect to the offer or sale of 2017 Bonds other than as contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the City or the Underwriter. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2017 Bonds shall under any circumstances create any implication that there has been no change in the affairs of any party described in this Official Statement, or in the status of any property described in this Official Statement, subsequent to the date as of which such information is presented.

This Official Statement and the information contained in this Official Statement are subject to amendment without notice. The 2017 Bonds may not be sold, and no offer to buy the 2017 Bonds may be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the 2017 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

All summaries of the documents referred to in this Official Statement are qualified by the provisions of the respective documents summarized and do not purport to be complete statements of any or all of such provisions.

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 the completeness of such information."

In connection with the offering of the 2017 Bonds, the Underwriter may over allot or effect transactions that stabilize or maintain the market prices of the 2017 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2017 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.

The 2017 Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon an exemption from the registration requirements contained in the Securities Act. The 2017 Bonds have not been registered or qualified under the securities laws of any state.

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

CITY OF DIXON

City Council

Thom Bogue, *Mayor*
Scott Pederson, *Vice Mayor*
Steve Bird, *Councilmember*
Devon Minnema, *Councilmember*
Ted Hickman, *Councilmember*

City Officials

Jim Lindley, *City Manager*
Joan Michaels Aguilar, *Deputy City Manager – Administrative Services*
Joe Leach, *City Engineer/Director of Public Works*
Leticia I. Miguel, *City Clerk*

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Sacramento, California

Municipal Advisor

Del Rio Advisors, LLC
Modesto, California

Special Tax Consultant and

Dissemination Agent

Goodwin Consulting Group, Inc.
Sacramento, California

Bond Counsel and Disclosure Counsel

Quint & Thimmig LLP
Larkspur, California

Appraiser

Seevers Jordan Ziegenmeyer
Rocklin, California

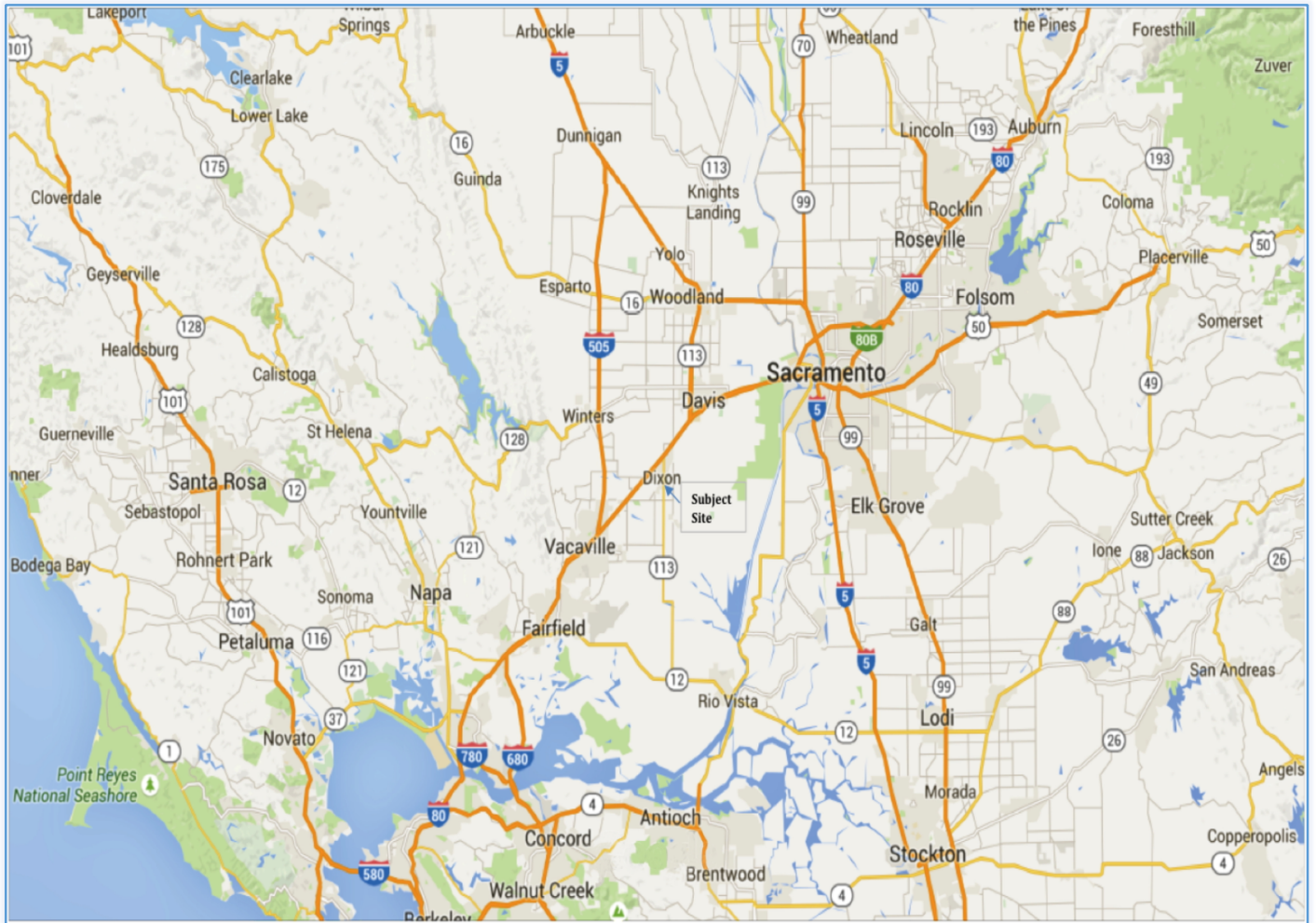
Fiscal Agent

MUFG Union Bank, N.A.
San Francisco, California

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REGIONAL LOCATION MAP



OFFICIAL STATEMENT

\$4,770,000
CITY OF DIXON
COMMUNITY FACILITIES DISTRICT NO. 2015-1
(VALLEY GLEN NO. 2)
SPECIAL TAX BONDS, SERIES 2017

This Official Statement, including the cover page and appendices hereto, sets forth certain information concerning the issuance by the City of Dixon, California (the “**City**”), for and on behalf of the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) (the “**District**”), of its City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Special Tax Bonds, Series 2017 (the “**2017 Bonds**”).

INTRODUCTION

General

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 this entire Official Statement, including the cover page and appendices hereto, and the documents summarized or otherwise described herein. A full review should be made of this entire Official Statement and such documents prior to making an investment in the 2017 Bonds. The sale and delivery of the 2017 Bonds to potential investors is made only by means of the entire Official Statement.

The 2017 Bonds are being issued under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code) (the “**Act**”), and a Fiscal Agent Agreement, dated as of August 1, 2017 (the “**Fiscal Agent Agreement**”), between the City, for and on behalf of the District, and MUFG Union Bank, N.A., as fiscal agent (the “**Fiscal Agent**”). Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given to them in the Fiscal Agent Agreement. See Appendix C – Summary of the Fiscal Agent Agreement. When used in this Official Statement, the term “**Bonds**” means, collectively, the 2017 Bonds and any **Parity Bonds** that may be issued under and as such term is defined in the Fiscal Agent Agreement.

Authority for Issuance

General. The District was formed on April 28, 2015 under the authority of the Act, which was enacted by the California Legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. The Act authorizes local governmental entities to establish community facilities districts as legally constituted governmental entities with defined boundaries, with the legislative body of the local applicable governmental entity acting on behalf of the community facilities district. Subject to approval by at least a two-thirds vote of the votes cast by the qualified electors within a community facilities district and compliance with the provisions of the Act, the legislative body may issue bonds for the community facilities district established by it and may levy and collect a special tax within such community facilities district to repay such bonds.

Bond Authority. The 2017 Bonds are authorized to be issued pursuant to the Act, Resolution No. 17-111, adopted on July 25, 2017 by the City Council of the City (the “**City Council**”) acting as the legislative body of the District, and the Fiscal Agent Agreement. For more

detailed information about the formation of the District and the authority for issuance of the 2017 Bonds, see “THE 2017 BONDS – Authority for Issuance” and “THE DISTRICT– History of the District.”

The 2017 Bonds

General. The 2017 Bonds will be issued only as fully registered bonds, in denominations of \$5,000 or any integral multiple thereof, and will bear interest at the rates per annum and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The 2017 Bonds will be dated the date of their issuance and interest on the 2017 Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2018 (each an “**Interest Payment Date**”). The 2017 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), which will act as securities depository for the 2017 Bonds. See “THE 2017 BONDS – General Provisions.”

Redemption Prior to Maturity. The 2017 Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments and mandatory sinking payment redemption prior to maturity. See “THE 2017 BONDS – Redemption.”

Application of 2017 Bond Proceeds

Proceeds of the 2017 Bonds will be used to make a deposit to the Improvement Fund, to fund the Reserve Fund for the 2017 Bonds, to make a deposit to a Capitalized Interest Account to be used to pay a portion of the interest on the 2017 Bonds through September 1, 2018, to pay initial administrative expenses of the City related to the District and to pay the costs of issuance of the 2017 Bonds. See “PLAN OF FINANCING – Sources and Uses of Funds.” The proceeds of the 2017 Bonds deposited to the Improvement Fund will be used to pay the costs of certain public infrastructure improvements (the “**Improvements**”) authorized to be funded by the District pursuant to the Resolution of Formation. See “THE DISTRICT – The Improvements.”

Security for the 2017 Bonds

Pledge Under the Fiscal Agent Agreement. Pursuant to the Fiscal Agent Agreement, the 2017 Bonds are secured by a first pledge of all of the Special Tax Revenues (other than the portion of the annual Special Tax Revenues to be deposited into the Administrative Expense Fund, as described under the heading “SECURITY FOR THE 2017 BONDS – Special Tax Fund”), and all moneys deposited in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein), in the Reserve Fund and, until disbursed in accordance with the Fiscal Agent Agreement, in the Special Tax Fund. See “SECURITY FOR THE 2017 BONDS – General.” The Fiscal Agent Agreement defines “**Special Tax Revenues**” as the proceeds of the **Special Taxes** (as described below) levied on the taxable property in the District and received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon 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 thereon, but does not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure. The Special Tax Revenues (other than the portion of the annual Special Tax Revenues to be deposited into the Administrative Expense Fund as described under the heading “SECURITY FOR THE 2017 BONDS – Special Tax Fund”) and all moneys deposited into the Bond Fund, the Reserve Fund and the Special Tax Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2017 Bonds in accordance with the Fiscal Agent Agreement until all of the 2017 Bonds have been paid or defeased.

Special Taxes; Rate and Method. The Special Tax to be used to pay debt service on the 2017 Bonds will be levied in accordance with the Rate and Method of Apportionment of Special Tax (referred to in this Official Statement as the “**Rate and Method**”), as described under the heading “SECURITY FOR THE 2017 BONDS – Summary of Rate and Method.” “**Special Taxes**” as defined in the Fiscal Agent Agreement and as used in this Official Statement, means the Special Tax (as defined in the Rate and Method) levied by the City Council on the taxable property within the District under the Act, Ordinance No. 15-007 of the City adopted by the City Council on May 12, 2015 levying the Special Taxes, and the Fiscal Agent Agreement. See “SECURITY FOR THE 2017 BONDS – Special Taxes” and “– Summary of Rate and Method.”

Limitations. Amounts in the Administrative Expense Fund, the Improvement Fund and the Costs of Issuance Fund, each of which is established under the Fiscal Agent Agreement, are not pledged to the repayment of the 2017 Bonds. A portion of the Special Taxes collected annually and to be deposited on a priority basis to the Administrative Expense Fund (see clause (i) of the second paragraph under “SECURITY FOR THE 2017 BONDS – Special Tax Fund”) is not pledged to the repayment of the 2017 Bonds. The Improvements funded with proceeds of the 2017 Bonds are not pledged as security for the repayment of the 2017 Bonds. The proceeds of any condemnation or insurance award received by the City with respect to the Improvements are not pledged to the repayment of the 2017 Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to repay the 2017 Bonds are amounts held by the Fiscal Agent in the Bond Fund, the Special Tax Fund and the Reserve Fund established under the Fiscal Agent Agreement, and the proceeds, if any, from foreclosure sales of parcels within the District in respect of delinquent Special Taxes. See “SECURITY FOR THE 2017 BONDS.”

With respect to the annual Special Tax levy on property in the District, the Special Tax levy on any parcel may not exceed the Maximum Special Tax rate applicable to such parcel. See “SECURITY FOR THE 2017 BONDS – Summary of Rate and Method – Maximum Special Tax Rates.” Also, under no circumstances may the Special Tax on a parcel in residential use be increased in any Fiscal Year as a consequence of the delinquency or default in payment of the Special Tax levied on another parcel or parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. See “SECURITY FOR THE 2017 BONDS – Summary of Rate and Method – Collection of Special Taxes.”

Reserve Fund

The Fiscal Agent Agreement establishes a Reserve Fund (the “**Reserve Fund**”) as a reserve for the payment of principal of and interest on the Bonds. The Reserve Fund is required to be funded on the date of issuance of the 2017 Bonds in an amount equal to the least of (i) Maximum Annual Debt Service on the Outstanding Bonds, (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the Outstanding Bonds, and (iii) ten percent (10%) of the original principal amount of the Bonds (the “**Reserve Requirement**”). The Reserve Fund will be available to pay the debt service on the 2017 Bonds and any Parity Bonds in the event of a shortfall in the amount in the Bond Fund for such purpose. The Reserve Requirement as of the date of issuance of the 2017 Bonds will be \$357,562.40. The amount of the Reserve Requirement will not change until the earlier of the date of issuance of any Parity Bonds or the final maturity date of the 2017 Bonds, except that it is subject to reduction in connection with Special Tax Prepayments. See “SECURITY FOR THE 2017 BONDS – Reserve Fund.”

The District

The District was formed by the City Council pursuant to proceedings conducted under the Act on April 28, 2015, and an election held on that date whereby the then owners of the land

in the District voted in favor of the formation of the District, the levy of the Special Tax on property in the District and the issuance of bonds for the District. See “THE DISTRICT– History of the District.”

The District includes approximately 23.09 gross acres of land located on the southeastern edge of the City, along West Cherry Street, west of Highway 113 (South 1st Street), in a residential subdivision known as Valley Glen (the “**Development**”). The Development is being developed in several phases, and was originally approved pursuant to a Development Agreement, dated November 27, 2002, between the City and SWD Land Company. The Development Agreement, subsequently assigned by SWD Land Company to Pulte Homes on January 2, 2003, allowed for the development of up to 676 single family homes and 161 apartments. Pulte Homes developed 360 single family homes and 102 apartments, but halted development in 2009 and subsequently sold the remaining 312 undeveloped lots and 4 finished lots to be improved with single family homes in the Development in 2010 to Rich Haven-Visser, LLC and Manitoba Ventures, LLC (collectively referred to in this Official Statement as the “**Richland Entities**”), entities related to (but not under common control with) Richland Communities, Inc. A parcel to be developed with the remaining 59 apartments was sold to Dixon Pacific Associates, A California Limited Partnership in 2012, and construction of the apartments was completed in 2014. See “THE DISTRICT – The Development.” Except with respect to the 4 lots sold to the Richland Entities, none of the 360 lots developed by Pulte Homes and none of the apartments are included in the District. See “THE DISTRICT – Location and Description of the District.”

The District initially includes 106 separate lots within Phase 2 of the Development and 4 lots within Phase 1 of the Development that are subject to the levy of the Special Taxes, all of which are to be improved with single family detached homes. The Development also includes public use areas (which are not subject to the levy of the Special Taxes), and property that is anticipated to be subdivided into 206 single family lots in a “future annexation area.” The property in the future annexation area will be subject to the levy of Special Taxes only when and if such property is formally annexed into the District. See “THE DISTRICT– History of the District.”

The 110 lots in the District are the subject of final recorded tract maps. Backbone infrastructure for the lots, including streets and the provision of public utilities, has been substantially completed with improvements to be owned by the City expected to be accepted by the City in September of 2017. As of June 30, 2017, 32 building permits had been issued by the City for the construction of homes on the lots, with three model homes completed, home construction underway on another 23 lots, and six lots with permits but without any home construction thereon as of such date. As of such date, sales contracts had been executed for 33 of the homes to be constructed, with first home closings expected in late September/early October of 2017. Between July 1, 2017 and August 3, 2017, an additional 7 building permits have been issued for lots in the District. See “THE DISTRICT—The Development.”

Home construction within the District is being undertaken by Richmond American Homes of Maryland, Inc., a Maryland corporation (the “**Developer**”). See “THE DISTRICT – History of the District,” and “– The Developer.” The Developer acquired the land in the District from the Richland Entities, on August 31, 2016. The Richland Entities currently own all of the land in the future annexation area identified on the recorded boundary map for the District, other than four lots in such area already annexed into the District, and such area is currently not subject to the levy of the Special Taxes. While the future annexation area may ultimately be annexed to the District and developed with up to 206 single family detached homes, no assurance can be given as to when and if future annexations to the District will occur. See “THE DISTRICT—The Development.”

Land Valuation

The firm of Seevers Jordan Ziegenmeyer (the “**Appraiser**”) has prepared an Appraisal Report dated July 18, 2017 (the “**Appraisal Report**”) with a valuation date of June 6, 2017, estimating the market value of the 110 parcels within the District that are subject to the Special Tax securing the 2017 Bonds. The Appraiser concluded in the Appraisal Report that the market value of the property in the District is \$16,910,000, subject to the hypothetical condition that the Improvements to be funded with proceeds of the 2017 Bonds were in place as of the June 6, 2017 date of value and the property was encumbered by the lien of the Special Taxes securing the 2017 Bonds, and with certain general assumptions and limiting conditions set forth in the Appraisal Report. The appraised value of the land in the District, as reflected in the Appraisal Report, is approximately 3.54 times the \$4,770,000 initial principal amount of the 2017 Bonds. The Appraisal Report, the complete text of which is set forth in Appendix G, should be read in its entirety by prospective purchasers of the 2017 Bonds. See also “SPECIAL RISK FACTORS – Property Value.”

The value of individual parcels in the District will vary significantly, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be sufficient to pay such parcel’s delinquent Special Taxes. See “SPECIAL RISK FACTORS – Property Value” and “SPECIAL RISK FACTORS – Insufficiency of Special Taxes.”

Limited Obligation

Although the unpaid Special Taxes constitute liens on parcels within the District on which they are levied, they do not constitute a personal indebtedness of the property owners. There is no assurance that the Developer or any future homeowners will be financially able to pay the Special Taxes levied on their property in the District, or that they will pay the Special Taxes even though financially able to do so.

NEITHER THE FAITH AND CREDIT NOR ANY TAXING POWER OF THE CITY OF DIXON, OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE 2017 BONDS. THE 2017 BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE CITY FOR THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAX REVENUES (OTHER THAN THE PORTION THEREOF TO BE DEPOSITED ANNUALLY ON A PRIORITY BASIS TO THE ADMINISTRATIVE EXPENSE FUND UNDER THE FISCAL AGENT AGREEMENT) DERIVED FROM SPECIAL TAXES LEVIED ON TAXABLE PROPERTY IN THE DISTRICT, AND FROM AMOUNTS IN CERTAIN FUNDS ESTABLISHED UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED HEREIN.

Issuance of Additional Bonds

The City may issue additional bonded indebtedness for the District that is secured by a pledge of and lien on the Special Tax Revenues and on the funds pledged under the Fiscal Agent Agreement for the payment of the 2017 Bonds on a parity with the 2017 Bonds (“**Parity Bonds**”), subject to compliance with the applicable provisions of the Fiscal Agent Agreement. See “SECURITY FOR THE 2017 BONDS – Issuance of Additional Bonds.” The District is authorized to incur up to \$15,000,000 in bonded and other debt (as defined in the Act), and the City anticipates that one or more series of Parity Bonds will be issued for the District when and if property in the future annexation area is annexed into the District and development begins to occur on any property so annexed. See “PLAN OF FINANCING – Overview.” When used in

this Official Statement, the term “**Bonds**” means the 2017 Bonds and any Parity Bonds that may be issued in the future under the Fiscal Agent Agreement.

Bondowners’ Risks

Certain events could affect the ability of the City to pay the principal of and interest on the 2017 Bonds when due. Except for the Special Taxes, no other taxes are pledged to the payment of the 2017 Bonds. See “SPECIAL RISK FACTORS” for a discussion of certain factors that should be considered in evaluating an investment in the 2017 Bonds. The purchase of the 2017 Bonds involves significant risks, and the 2017 Bonds are not appropriate investments for all types of investors.

Continuing Disclosure

The City and the Developer each have agreed to provide, or cause to be provided, to the Electronic Municipal Market Access (“EMMA”) maintained by the Municipal Securities Rulemaking Board certain annual financial and other information. The City and the Developer each have further agreed to provide notice of certain enumerated events, and the Developer has agreed to provide mid-year reports with certain limited information. The Developer’s annual, mid-year and enumerated event reporting obligations will terminate if and when the Developer and any affiliate thereof own property in the District that is subject to less than twenty percent (20%) of the annual Special Tax levy.

The covenants of the City have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”). While the Underwriter has advised the City that it does not consider the Developer to be an “obligated person” with respect to the 2017 Bonds for purposes of the Rule, and thereby not required by the Rule to provide ongoing information related to its activities with respect to the property it owns in the District, the Developer’s continuing disclosure obligations have been incurred to assist the Underwriter in the marketing of the sale of the 2017 Bonds. See “CONTINUING DISCLOSURE” and Appendix E for a description of the specific nature of the annual reports, semiannual reports and notices of significant events, and complete copies of the Continuing Disclosure Agreements pursuant to which such reports and notices are to be made, respectively.

Other Information

This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change without notice. Except where otherwise indicated, all information contained in this Official Statement has been provided by the City on behalf of the District.

Copies of 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 for delivery from, the City Clerk, City of Dixon, 600 East A Street, Dixon, CA 95620.

PLAN OF FINANCING

Overview

In August of 2016, the City and the Richland Entities entered into a Revised Acquisition Agreement (the “**Acquisition Agreement**”) wherein the City, for itself and on behalf of the District, agreed to use proceeds of the 2017 Bonds to acquire various public infrastructure improvements necessitated by the development of the Phase 1 Property (referred to in this Official Statement as the “**Improvements**”). See “THE DISTRICT – The Improvements.” The Richland Entities subsequently entered into an Assignment and Assumption Agreement, dated as of August 31, 2016, with the Developer pursuant to which they assigned to the Developer all of their rights and obligations under the Acquisition Agreement, except that the Richland Entities (and not the Developer) are entitled to receive payment from the City for the completed Improvements upon satisfaction of the applicable requirements of the Acquisition Agreement. Also on August 31, 2016, the Developer acquired the 110 lots in the Development that are included in the District from the Richland Entities. See “THE DISTRICT – The Development.”

The 2017 Bonds are being issued to finance the purchase by the City of the Improvements pursuant to the Acquisition Agreement. The financing plan anticipates that additional Parity Bonds will be issued in one or more series to finance costs of public infrastructure improvements necessitated by the development of later phases of Valley Glen pursuant to one or more additional acquisition agreements to be entered into by the City for the District and the Richland Entities or other possible developer or developers of such future phases. The timing of future annexations to the District and the issuance of Parity Bonds will depend upon the pace of development of such future phases of Valley Glen, and there can be no certainty at this time as to if and when any such annexations and issuances of Parity Bonds will occur. See “THE DISTRICT – The Development.” The aggregate principal amount of any Parity Bonds (other than Parity Bonds that are Refunding Bonds, as to which no principal limit applies) plus the initial principal amount of the 2017 Bonds cannot exceed the District’s debt limit of \$15,000,000.

The costs of Improvements completed to date have been paid for by the Developer or the Richland Entities. In accordance with the Acquisition Agreement, proceeds of the 2017 Bonds deposited to the Improvement Fund will be used to make payments to the Richland Entities for costs of the Improvements. Proceeds of the 2017 Bonds will also be used to make a deposit to the Reserve Fund equal to the initial Reserve Requirement, to pay the costs of issuance of the 2017 Bonds, to make a deposit to the Administrative Expense Fund to pay initial costs of the City to administer the District, and to make a deposit to a Capitalized Interest Account to be used to pay a portion of the interest due on the 2017 Bonds on March 1, 2018 and on September 1, 2018. See “PLAN OF FINANCING – Sources and Uses of Funds.”

Sources and Uses of Funds

The sources and uses of funds in connection with the 2017 Bonds are as follows:

Principal of 2017 Bonds	\$ 4,770,000.00
Less: Net Original Issue Discount	(16,840.05)
Less: Underwriter's Discount	<u>(79,312.99)</u>
Total Sources	\$ 4,673,846.96
Deposit to Improvement Fund ⁽¹⁾	\$ 4,033,137.94
Deposit to Reserve Fund ⁽²⁾	357,562.40
Deposit to Costs of Issuance Fund ⁽³⁾	165,000.00
Deposit to Capitalized Interest Account ⁽⁴⁾	98,146.62
Deposit to Administrative Expense Fund ⁽⁵⁾	<u>20,000.00</u>
Total Uses	\$ 4,673,846.96

(1) See "PLAN OF FINANCING – Overview," and "THE DISTRICT – The Improvements."

(2) An amount equal to the initial Reserve Requirement. See "SECURITY FOR THE 2017 BONDS – Reserve Fund."

(3) To be used to pay Costs of Issuance, including fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Special Tax Consultant, the Fiscal Agent and the City, printing expenses and other costs related to the issuance of the 2017 Bonds.

(4) To be used to pay a portion of the interest due on the 2017 Bonds on March 1, 2018 and on September 1, 2018.

(5) To be used to pay costs of administering the District.

THE 2017 BONDS

Authority for Issuance

Pursuant to the Act, on April 28, 2016, the City Council adopted Resolution No. 15-052 establishing the District. Also on April 28, 2016, the City Council adopted Resolution No. 15-053 determining the necessity to incur up to \$15,000,000 of debt (as defined in the Act) for the District payable from the levy of Special Taxes on property in the District, and the City Council subsequently held and canvassed an election where Richland Entities, as the then sole owners of the land in the District, approved the levy of the Special Tax on property in the District, the incurrence of the bonded indebtedness for the District and an annual appropriations limit of \$15,000,000 for the District. See "THE DISTRICT – History of the District."

The 2017 Bonds are authorized to be issued pursuant to the Act, Resolution No. 17-111 adopted on July 25, 2017, by the City Council, acting as the legislative body of the District, and the Fiscal Agent Agreement. The Special Tax to be used to pay debt service on the 2017 Bonds will be levied on taxable property in the District in accordance with the Rate and Method.

General Provisions

The 2017 Bonds will be issued only as fully registered bonds, in the denomination of \$5,000 or any integral multiple thereof, and will bear interest at the rates per annum and will mature on the dates and in the respective principal amounts set forth on the inside cover page of this Official Statement. The 2017 Bonds will be dated the date of their issuance and interest on the 2017 Bonds will be payable on each Interest Payment Date, commencing March 1, 2018.

Each 2017 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (b) it is authenticated prior to an

Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (c) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the date of issuance of the 2017 Bonds; provided, however, that if, as of the time of authentication of any 2017 Bond, interest thereon is in default, such 2017 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The term “**Record Date**” is defined in the Fiscal Agent Agreement as the fifteenth (15th) day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

The 2017 Bonds will be payable both as to principal and interest, and as to any applicable premium upon the redemption thereof, in lawful money of the United States of America. The principal of the 2017 Bonds and any premium due upon the redemption thereof will be payable by check of the Fiscal Agent upon surrender of the applicable 2017 Bonds at the Principal Office of the Fiscal Agent. Interest on the 2017 Bonds will be computed using a year of 360 days comprised of twelve 30-day months.

The 2017 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the 2017 Bonds. Individual purchases of the 2017 Bonds will be made in book-entry form only. Purchasers of the 2017 Bonds will not receive physical certificates representing their ownership interests in the 2017 Bonds purchased. Principal and interest payments represented by the 2017 Bonds are payable directly to DTC by the Fiscal Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2017 Bonds. See Appendix F – DTC and the Book-Entry Only System. **So long as the 2017 Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the owners shall mean Cede & Co., and shall not mean the purchasers or Beneficial Owners of the 2017 Bonds.**

Redemption

Optional Redemption. The 2017 Bonds maturing on or after September 1, 2025 are subject to optional redemption prior to their stated maturities, on any date on or after September 1, 2024, in whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2017 Bonds to be redeemed) as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
September 1, 2024 through and including August 31, 2025	103%
September 1, 2025 through and including August 31, 2026	102
September 1, 2026 through and including August 31, 2027	101
September 1, 2027 and any date thereafter	100

Mandatory Sinking Payment Redemption. The 2017 Bonds maturing on September 1, 2047 are subject to mandatory sinking payment redemption in part by lot on September 1, 2040, and on each September 1 thereafter to maturity, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, from sinking payments as follows:

<u>Redemption Date (September 1)</u>	<u>Sinking Payments</u>
2040	\$235,000
2041	250,000
2042	270,000
2043	285,000
2044	305,000
2045	325,000
2046	340,000
2047 (maturity)	365,000

The amounts in the foregoing table shall be reduced as a result of any prior partial redemption of the 2017 Bonds maturing on September 1, 2047 pursuant to the optional redemption or redemption from special tax prepayments provisions of the Fiscal Agent Agreement, to be allocated among sinking fund payments on a pro rata basis in integral multiples of \$5,000 as determined by the City.

Mandatory Redemption From Special Tax Prepayments. The 2017 Bonds are subject to mandatory redemption prior to their stated maturity on any Interest Payment Date from Special Tax Prepayments and corresponding transfers of funds from the Reserve Fund (as described below under "SECURITY FOR THE 2017 BONDS – Reserve Fund"), among maturities of the 2017 Bonds so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2017 Bonds to be redeemed) as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
any Interest Payment Date on or before March 1, 2025	103%
September 1, 2025 and March 1, 2026	102
September 1, 2026 and March 1, 2027	101
September 1, 2027 and any Interest Payment Date thereafter	100

Purchase of 2017 Bonds In Lieu of Redemption. In lieu of redemption as described above, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2017 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2017 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2017 Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

Selection of 2017 Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption, and by lot within a maturity.

Notice of Redemption. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any 2017 Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing is not a condition precedent to redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of

such 2017 Bonds. The redemption notice will state the redemption date and the redemption price and, if less than all of the then Outstanding 2017 Bonds are to be called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City from amounts in the Administrative Expense Fund.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2017 Bonds so called for redemption have been deposited in the Bond Fund, such 2017 Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Tender of 2017 Bonds in Payment of Special Taxes. The City has covenanted in the Fiscal Agent Agreement not to permit the tender of 2017 Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues, assuming the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, to pay the principal of and interest on the 2017 Bonds that will remain Outstanding following such tender. In the event Bonds are tendered to the Fiscal Agent in accordance with the foregoing, such Bonds shall be cancelled by the Fiscal Agent and shall cease to accrue interest from the date such Bonds are tendered. Upon surrender of a Bond to be tendered in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the tendering party a new Bond or Bonds the principal amount of which is equal to the untendered portion of the Bonds and the interest rate and maturity date of which shall be the same as the interest rate and maturity date of the tendered bond. To the extent applicable, the City shall deliver to the Fiscal Agent an Officer's Certificate setting forth any adjustments to the mandatory sinking fund schedule as a result of the tender, which Officer's Certificate must be accompanied by a certificate of an Independent Financial Consultant to the effect that it has reviewed the proposed adjustments in the mandatory sinking fund schedule and that the remaining Special Tax Revenues, if the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, will be sufficient to pay principal of and interest on the Bonds when due following such adjustment.

Transfer or Exchange of 2017 Bonds

So long as the 2017 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2017 Bonds shall be made in accordance with DTC procedures. See Appendix F – DTC and the Book-Entry Only System. If the book-entry only system for the 2017 Bonds is ever discontinued, any 2017 Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2017 Bond for cancellation, accompanied by delivery

of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City from amounts in the Administrative Expense Fund; however, the Fiscal Agent will collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any 2017 Bond or 2017 Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new 2017 Bond or 2017 Bonds, for a like aggregate principal amount of 2017 Bonds of authorized denominations and of the same maturity.

No transfers or exchanges of 2017 Bonds will be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

Discontinuance of DTC Services

DTC may determine to discontinue providing its services with respect to the 2017 Bonds at any time by giving written notice to the Fiscal Agent during any time that the 2017 Bonds are Outstanding, and discharging its responsibilities with respect to the 2017 Bonds under applicable law. The City may terminate the services of DTC with respect to the 2017 Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the 2017 Bonds or that continuation of the system of book-entry transfers through DTC is not in the best interest of the Beneficial Owners. The City will mail any such notice of termination to the Fiscal Agent.

Upon the termination of the services of DTC as described in the previous paragraph, and if no substitute Depository willing to undertake the functions can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the City determines that it is in the best interest of the Beneficial Owners of the 2017 Bonds that they obtain certificated Bonds, the 2017 Bonds will no longer be restricted to being registered in the Registration Books of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or name the Owners designate at that time, in accordance with the Fiscal Agent Agreement.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, the 2017 Bonds will be delivered to such Beneficial Owners in accordance with the Fiscal Agent Agreement.

Scheduled Debt Service

The table below sets forth the scheduled annual debt service payments on the 2017 Bonds, assuming no optional redemption or mandatory redemption from prepayments of Special Taxes of the 2017 Bonds.

Year Ending September 1	Principal	Interest	Total Debt Service
2018		\$ 171,894.62	\$ 171,894.62
2019	\$ 40,000.00	177,312.50	217,312.50
2020	45,000.00	176,512.50	221,512.50
2021	50,000.00	175,612.50	225,612.50
2022	55,000.00	174,612.50	229,612.50
2023	60,000.00	173,512.50	233,512.50
2024	65,000.00	172,312.50	237,312.50
2025	70,000.00	171,012.50	241,012.50
2026	80,000.00	169,437.50	249,437.50
2027	85,000.00	167,437.50	252,437.50
2028	95,000.00	164,037.50	259,037.50
2029	105,000.00	160,237.50	265,237.50
2030	115,000.00	156,037.50	271,037.50
2031	125,000.00	151,437.50	276,437.50
2032	135,000.00	146,437.50	281,437.50
2033	145,000.00	141,037.50	286,037.50
2034	155,000.00	135,237.50	290,237.50
2035	170,000.00	129,037.50	299,037.50
2036	180,000.00	122,237.50	302,237.50
2037	195,000.00	115,037.50	310,037.50
2038	205,000.00	107,968.76	312,968.76
2039	220,000.00	100,281.26	320,281.26
2040	235,000.00 ⁽¹⁾	92,031.26	327,031.26
2041	250,000.00 ⁽¹⁾	82,925.00	332,925.00
2042	270,000.00 ⁽¹⁾	73,237.50	343,237.50
2043	285,000.00 ⁽¹⁾	62,775.00	347,775.00
2044	305,000.00 ⁽¹⁾	51,731.26	356,731.26
2045	325,000.00 ⁽¹⁾	39,912.50	364,912.50
2046	340,000.00 ⁽¹⁾	27,318.76	367,318.76
2047	365,000.00 ⁽¹⁾	14,143.76	379,143.76
Totals	\$4,770,000.00	\$3,802,757.18	\$8,572,757.18

(1) Indicates a scheduled mandatory sinking payment redemptions of the 2017 Bonds maturing on September 1, 2047. See "THE 2017 BONDS – Redemption – Mandatory Sinking Payment Redemption."

SECURITY FOR THE 2017 BONDS

General

Pursuant to the Fiscal Agent Agreement, the 2017 Bonds are secured by a first pledge of all of the Special Tax Revenues (other than the portion thereof to be deposited annually on a priority basis to the Administrative Expense Fund, as described under the heading "SECURITY FOR THE 2017 BONDS – Special Tax Fund"), and all moneys deposited in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein), the Reserve Fund and, until disbursed in accordance with the Fiscal Agent Agreement, the Special Tax Fund. Special Tax Revenues do not include interest and penalties on foreclosure of the lien of Special Taxes in excess of the rate of interest payable on the 2017 Bonds. Such Special Tax

Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2017 Bonds in accordance with the Fiscal Agent Agreement until all of the 2017 Bonds have been paid or defeased.

Amounts in the Improvement Fund, the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the 2017 Bonds. The Improvements are not pledged to pay the debt service on the 2017 Bonds. The proceeds of condemnation or destruction of any of the Improvements are not pledged to pay the debt service on the 2017 Bonds.

Limited Obligation

The 2017 Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues (other than the portion thereof to be deposited annually on a priority basis to the Administrative Expense Fund under the Special Tax Fund provisions of the Fiscal Agent Agreement), and the amounts in the Bond Fund (including Capitalized Interest Account and the Special Tax Prepayments Account therein), the Reserve Fund and the Special Tax Fund created pursuant to the Fiscal Agent Agreement.

In the event that the Special Taxes are not paid when due, the only sources of funds available to repay the 2017 Bonds are amounts held by the Fiscal Agent under the Fiscal Agent Agreement in the Bond Fund, the Special Tax Fund and the Reserve Fund, and the proceeds, if any, from foreclosure sales of parcels with delinquent Special Tax levies.

Special Taxes

The Rate and Method that was approved in accordance with the provisions of the Act in 2015 by the Richland Entities, as the then owners of the land in the District, is set forth in its entirety in Appendix B. See "THE DISTRICT – History of the District." The Rate and Method provides for the levy of a "Special Tax" in order to fund the annual "Special Tax Requirement," which includes amounts needed to pay the debt service on the Bonds, to pay costs of administering the Bonds and the District, to replenish any draws on the Reserve Fund and to pay directly for costs of the Improvements. See "SECURITY FOR THE 2017 BONDS – Summary of Rate and Method."

Under the Fiscal Agent Agreement, the City is obligated to fix and levy the amount of Special Taxes within the District required for the timely payment of principal of and interest on the outstanding 2017 Bonds becoming due and payable, including any necessary replenishment of the Reserve Fund and an amount estimated to be sufficient to pay the Administrative Expenses. See "SECURITY FOR THE 2017 BONDS – Summary of Rate and Method."

Except as set forth in the Ordinance (which allows for the City Council to provide for other appropriate methods of collection by resolutions of the City Council), Special Taxes will be payable and will be collected in the same manner, at the same time and in the same installment as the general taxes on real property are payable, and pursuant to the Act will 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. The first Special Tax levy in the District will be for fiscal year 2017-2018, and will include Special Tax levies only on Developed Property. See "SECURITY FOR THE 2017 BONDS – Summary of Rate and Method – Classification of Property."

Although the Special Taxes will constitute a lien on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of the property within the District.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax on a parcel of Taxable Property, the City may order the institution of a superior court action to foreclose the lien on the parcel of Taxable Property within specified time limits. In such an action, the real property subject to the unpaid amount of the Special Tax lien may be sold at judicial foreclosure sale. The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* property taxes. See "SECURITY FOR THE 2017 BONDS – Summary of Rate and Method," and "– Covenant for Superior Court Foreclosure" and "SPECIAL RISK FACTORS – Payment of Special Tax is not a Personal Obligation."

Other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future. See "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments." There is no assurance that any owner of a parcel subject to the Special Tax levy will be financially able to pay the annual Special Taxes or that it will pay such taxes even if financially able to do so. See "SPECIAL RISK FACTORS – Payment of the Special Tax is not a Personal Obligation."

Special Tax Fund

Deposit of Special Tax Revenues. The City is obligated by the Fiscal Agent Agreement to promptly remit any Special Tax Revenues received by the City to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Fund established under the Fiscal Agent Agreement.

Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the lesser of (a) the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses and (b) the Priority Administrative Expenses Amount for such Fiscal Year shall be separately identified by the Finance Director and shall be deposited by the Finance Director in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and will be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, for transfer to the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement; and third, to be held in the Special Tax Fund and used as described under "Disbursements" below; and

(iii) any proceeds of Special Tax Prepayments will be separately identified by the Finance Director and will be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of costs of the Improvements shall be deposited by the Fiscal Agent to the Improvement Fund so long as the Improvement Fund has not theretofore been closed pursuant to the Fiscal Agent Agreement, and if the Improvement Fund has been closed, then such amount shall be retained by the City to be used to pay Improvement costs, and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account.

The term "**Priority Administrative Expenses Amount**" is defined in the Fiscal Agent Agreement as (i) for Fiscal Year 2018-19, the amount of \$20,400 and (ii) for each succeeding Fiscal Year, the sum of (A) the Priority Administrative Expenses Amount for the preceding Fiscal Year plus (B) 2% of the Priority Administrative Expenses Amount for the preceding Fiscal Year.

Notwithstanding the foregoing, the “Priority Administrative Expenses Amount” is subject to increase each time that any Parity Bonds are issued, at the discretion of the City and as set forth in the Supplemental Agreement pursuant to which the Parity Bonds are issued, so long as the Priority Administrative Expenses Amount, following such increase, is not greater in any Fiscal Year than 10% of the debt service due on the Bonds in each such respective Fiscal Year.

Moneys in the Special Tax Fund will be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, will be disbursed as provided below and, pending disbursement, will be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On the third Business Day before each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers under the Fiscal Agent Agreement from the Reserve Fund, the Special Tax Prepayments Account and the Improvement Fund to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any mandatory sinking payment), premium, if any, and interest due on the Bonds on the next Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in the Fiscal Agent Agreement, and

(ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement;

provided, however that the amounts to be so transferred shall not exceed the amount then on deposit in the Special Tax Fund (it being acknowledged that the foregoing transfers in respect of the Interest Payment Dates occurring on and prior to September 1, 2018 may not be sufficient to fully satisfy the amounts to be transferred pursuant to the foregoing clauses (i) and (ii)). It is expected that the proceeds of the Special Tax levy on Developed Property and Final Map Property for Fiscal Year 2017-18 (being the only property on which Special Taxes for such Fiscal Year will be levied) will be insufficient to pay the full scheduled debt service on the 2017 Bonds on March 1, 2018 and September 1, 2018, and amounts in the Capitalized Interest Account will be used to make up any insufficiency.

Each calendar year, following the transfers described in the preceding paragraph for the March 1 Interest Payment Date occurring in such calendar year, when amounts (including investment earnings) have been accumulated in the Special Tax Fund sufficient to make the transfers described in the preceding paragraph for the September 1 Interest Payment Date occurring in such calendar year, the Finance Director, during the period up to but not including December 10 of such calendar year, may in his or her sole discretion dispose of moneys in the Special Tax Fund in excess of the amounts needed for such September 1 Interest Payment Date as follows: (i) transfer money to the Fiscal Agent for deposit in the Improvement Fund for payment or reimbursement of the costs of the Improvements and (ii) transfer money to the Administrative Expense Fund in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year, after deducting the amount deposited in the Administrative Expense Fund as described in clause (i) of the fourth preceding paragraph.

Summary of Rate and Method

The Rate and Method is used to allocate the amount of the Special Tax that is needed to be collected each Fiscal Year to fund the Facilities Special Tax Requirement among the taxable

parcels within the District based upon the development status of the parcels. The Rate and Method is set forth in full in Appendix B and the following is a summary of the Rate and Method.

Classification of Property. The Rate and Method classifies all Taxable Property, i.e., all assessor's parcels in the District not exempt from the Special Tax pursuant to law or the Rate and Method, into four categories: Developed Property, Final Map Property, Taxable Public Property (none of which is expected in the District), and Undeveloped Property. The Rate and Method then classifies certain Developed Property as Other Property (none of which is expected in the District). Under the Rate and Method, "Developed Property" is defined as in any Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to June 30 of the prior Fiscal Year; "Final Map Property" is defined as all Single Family Detached Property for which a Final Map was recorded prior to June 30 of the preceding Fiscal Year and which has not yet become Developed Property; "Single Family Detached Property" is defined as all Parcels of Taxable Property for which a building permit was issued or is permitted to be issued for construction of a Residential Unit; and "Other Property" is defined as any Parcel of Developed Property that is not Single Family Detached Property or Taxable Public Property. "Undeveloped Property" is defined as in any Fiscal Year, all Parcels of Taxable Property that are not yet Developed Property or Final Map Property, and "Taxable Public Property" is defined as any property that, based on reference to Attachment 1 to the Rate and Method, was expected to be Single Family Detached Property and instead becomes Public Property, except that if the Administrator determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the District that was expected to be Public Property is rezoned and, based on this rezoning, is subject to the levy of the Special Tax, that Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that there is no loss in Expected Maximum Special Tax Revenue from granting such exemption. "Public Property" is defined as any property within the boundaries of the District that is owned by the federal government, State of California, City, or other public agency. The Rate and Method specifically exempts from the levy of the Special Tax Parcels that (i) are Public Property, other than Taxable Public Property, (ii) designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) are owned by a public utility for an unmanned facility, (iv) are subject to an easement that precludes any use on the Parcel other than that permitted by the easement, or (v) have fully prepaid their respective Special Tax obligation.

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel numbers for all Parcels of Taxable Property. The Administrator shall also determine: (i) whether each Assessor's Parcel of Taxable Property is Developed Property, Final Map Property, or Undeveloped Property, (ii) for Developed Property, which Parcels are Single Family Detached Property, Other Property, or Taxable Public Property, and (iii) the Special Tax Requirement.

Maximum Special Tax Rates. The tables below identify the annual Maximum Special Tax rates for the categories of Taxable Property within the District.

Maximum Special Tax For Developed Property

Type of Property	Maximum Special Tax Fiscal Year 2017-18
Single Family Detached Property:	
SFD Lots ≥ 10,000 square feet	\$2,601.00 per Residential Unit
SFD Lots ≥ 7,000 and < 10,000 square feet	\$2,418.94 per Residential Unit
SFD Lots < 7,000 square feet	\$2,236.86 per Residential Unit
Other Property	\$17,738.10 per Acre
Taxable Public Property	\$17,738.10 per Acre

Maximum Special Tax For Final Map Property

SFD Lot Size	Maximum Special Tax Fiscal Year 2017-18
SFD Lots ≥ 10,000 square feet	\$2,601.00 per SFD Lot
SFD Lots ≥ 7,000 and < 10,000 square feet SFD	\$2,418.94 per SFD Lot
Lots < 5,000 square feet	\$2,236.86 per SFD Lot

On July 1, 2018 and on each July 1 thereafter, all amounts shown in the two tables above will be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

The Maximum Special Tax for Undeveloped Property is \$17,738.10 per Acre for Fiscal Year 2017-18 and shall, on July 1, 2018 and on each July 1 thereafter, increase by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

Annual Apportionment of Special Taxes. On or about July 1 of each Fiscal Year, the person or firm designated by the City to administer the Special Tax (the “**Administrator**”) will determine the Special Tax Requirement, which is defined in the Rate and Method as the amount necessary in any Fiscal Year for the District to (i) pay principal and interest on the Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) create and / or replenish reserve funds for the Bonds to the extent such replenishment has not been included in the computation of Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses; and (v) pay directly for facilities authorized to be funded by the District so long as the direct payment for Authorized Facilities does not increase the Special Taxes on Undeveloped Property. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to be applied against debt service pursuant to the Fiscal Agent Agreement; (b) proceeds received by the District from the collection of penalties associated with delinquent Special Taxes in the District; and (c) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

Each Fiscal Year, after the Administrator has determined the Special Tax Requirement for the Fiscal Year, the Administrator will levy the Special Tax on all Parcels of Taxable Property as follows:

- Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property within the District, not including Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year until the amount levied on Developed Property that is not Taxable Public Property is equal to the Special Tax Requirement prior to applying Capitalized Interest that is available under the Fiscal Agent Agreement;
- Step 2: If additional revenue is needed after Step 1, and after applying Capitalized Interest to the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Final Map Property within the District, up to 100% of the Maximum Special Tax for each Parcel of Final Map Property for such Fiscal Year;
- Step 3: If additional revenue is needed after Step 2, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel of Undeveloped Property for such Fiscal Year;
- Step 4: If additional revenue is needed after Step 3, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property, exclusive of such property that is exempt from the Special Tax under the Rate and Method, up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year.

The term "Proportionately" as used in the above steps means (a) for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor's Parcels of Developed Property, (b) for Final Map Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor's Parcels of Final Map Property, (c) for Undeveloped Property, that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Assessor's Parcels of Undeveloped Property, and (d) for Taxable Public Property, that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Assessor's Parcels of Taxable Public Property.

Prepayment of Special Taxes. The Special Tax obligation applicable to a parcel within the District may be prepaid and the obligation to pay any Special Tax for such parcel may be fully or partially satisfied as described in the Rate and Method. Prepayments of the Special Tax will result in a mandatory redemption of the 2017 Bonds. See "THE 2017 BONDS – Redemption – Mandatory Redemption From Special Tax Prepayments."

Collection of Special Taxes. The Special Taxes will be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring the Improvements from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall Special Taxes be levied after Fiscal Year 2055-2056. **Under no circumstances may the Special**

Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

Adjustments to Maximum Special Tax; Annexations. The Rate and Method allows for adjustments to Maximum Special Tax Rates at the time of annexation of property to the District, as the Maximum Special Tax Rates were based on Expected Land Uses at the time of formation of the District. The Administrator shall review Final Maps, tentative map revisions, and other approvals and land use changes at the time of any annexation of property to the District and compare the revised land uses to the Expected Land Uses to evaluate the impact on the Expected Maximum Special Tax Revenue. If, at any point in time, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Special Tax Revenue, but such reduction does not reduce debt service coverage on outstanding Bonds below the Required Coverage, no action will be needed pursuant to the applicable provisions of the Rate and Method. "Required Coverage" is defined in the Rate and Method as the amount by which the Maximum Special Tax Revenue must exceed the Bond debt service and Priority Administrative Expenses Amount, as set forth in the Fiscal Agent Agreement with respect to any minimum required debt service coverage. Upon approval of the Land Use Change, the Administrator shall update Attachment 2 to the Rate and Method to show the reduced Expected Maximum Special Tax Revenue, which amount shall be used to size any subsequent Bond issues.

If a Land Use Change is proposed that will result in a reduction in the Expected Maximum Special Tax Revenue that would reduce debt service coverage on outstanding Bonds below the Required Coverage, the following steps shall be applied:

- Step 1: By reference to Attachment 2 to the Rate and Method (which will be updated by the Administrator each time a Land Use Change has been processed), the Administrator shall identify the existing Expected Maximum Special Tax Revenue.
- Step 2: The Administrator shall calculate the Maximum Special Tax Revenue that could be collected from Taxable Property if the Land Use Change is approved.
- Step 3: Unless the landowner requesting the Land Use Change prepays a portion of the Expected Maximum Special Tax Revenue in an amount that corresponds to the reduction in revenue that would occur due to the Land Use Change, then the Maximum Special Tax for each Parcel of Taxable Property in the area affected by the Land Use Change shall be increased proportionately until the existing Expected Maximum Special Tax Revenue (prior to the Land Use Change) is maintained.

If multiple Land Use Changes are proposed simultaneously by a single land owner (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use Changes to determine if there is a reduction in Expected Maximum Special Tax Revenue. If there is a reduction, the Administrator shall increase the Maximum Special Tax proportionately on Parcels in all of the Final Maps being proposed by the landowner until the aggregate amount that can be levied within the Final Maps is equal to the amount that could have been levied prior to the proposed Land Use Changes. If Land Use Changes are proposed simultaneously by multiple landowners, the Administrator shall consider the proposed Land Use Changes individually.

If, in any Fiscal Year, a property owner within the Future Annexation Area wants to annex property into the District, the Administrator shall apply the following steps as part of the annexation proceedings:

- Step 1: Working with City staff and the landowner, the Administrator shall determine the Maximum Special Tax that will apply to Single Family Detached Property and Other Property within the area to be annexed. Once determined, the Maximum Special Taxes for the annexing area shall be identified in the Unanimous Approval Form which will be signed by the property owner as part of the annexation process.
- Step 2: The Administrator shall ensure that a Notice of Special Tax Lien is recorded against all Parcels that are annexed to the District.
- Step 3: The Administrator shall prepare and keep on file an updated Attachment 2 to the Rate and Method that adds the annexed property and identifies the Expected Land Uses and revised Expected Maximum Special Tax Revenue for the District. After the annexation is complete, the application of Sections D, F and I of the Rate and Method shall be based on the adjusted Expected Land Uses and Expected Maximum Special Tax Revenue including the newly annexed property.
- Step 4: The Administrator shall recalculate the Public Facilities Requirement used in the prepayment calculation in Section I below to include the estimated net proceeds that can be generated to fund Authorized Facilities based on the Maximum Special Tax capacity from the annexed area. The adjusted Public Facilities Requirement shall be calculated by (i) dividing the increased Expected Maximum Special Tax Revenue that can be collected after the annexation by the Expected Maximum Special Tax Revenue that was in place prior to the annexation, and (ii) multiplying the quotient by the Public Facilities Requirement that was in place prior to the annexation.

In connection with the annexation of four lots to the District in June of 2016 (see “PLAN OF FINANCING – Overview” and “THE DISTRICT – Location and Description of the District”), there were no changes to the Maximum Special Tax Rates from those indicated in the tables under the subheading “Maximum Special Tax Rates” above. However, the amount of the “Public Facilities Requirement,” which amount is taken into account with respect to prepayments of Special Taxes (see Section I of the Rate and Method in Appendix B entitled “Prepayment of Special Tax”), was increased from \$3,005,000 in 2015 dollars, to \$3,130,129 in 2015 dollars, subject to annual increases on each January 1 of 2% per year of the amount in effect for the prior year.

Reserve Fund

The Fiscal Agent Agreement establishes a debt service reserve fund (the “**Reserve Fund**”) as a separate fund to be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds (which include the 2017 Bonds, and any Parity Bonds a portion of the proceeds of which are deposited to the Reserve Fund – see “SECURITY FOR THE 2017 BONDS – Issuance of Additional Bonds”), as a reserve for the payment of principal of, and interest and any premium on, the Bonds and moneys in the Reserve Fund are subject to a lien in favor of the Owners of the Bonds. The Reserve Fund is required by the Fiscal Agent Agreement to be funded in an amount equal to the “**Reserve Requirement**” which amount is, as of the Closing Date and until the earlier of the final maturity date of the Bonds or the date of issuance of the first series of any Parity Bonds, an amount equal to (a) the least of (i) Maximum Annual Debt Service on the 2017 Bonds, (ii) 125% of average

Annual Debt Service on the 2017 Bonds and (iii) 10% of the original principal amount of the 2017 Bonds, less (b) any amount transferred from the Reserve Fund to the Bond Fund in connection with a prepayment of Special Taxes.

The Fiscal Agent Agreement provides that the Reserve Requirement be recalculated on the date of issuance of each series of Parity Bonds, to remain in effect from such date of issuance of the respective series of Parity Bonds to the earlier of the final maturity of the Bonds (taking into account the final maturity of the Parity Bonds being issued) or the date of issuance of the next subsequent issuance of Parity Bonds (if any), and shall be an amount equal to (a) the then least of (i) the then Maximum Annual Debt Service on the Bonds (taking into account the Parity Bonds to be issued), (ii) 125% of average Annual Debt Service on the Bonds (taking into account the Parity Bonds to be issued), and (iii) the sum of original principal amount of the 2017 Bonds, the principal amount of the Parity Bonds being issued and the principal amount of any Parity Bonds theretofore issued, less (b) any amount thereafter transferred from the Reserve Fund to the Bond Fund in connection with a prepayment of Special Taxes. The Reserve Requirement as of the date of issuance of the 2017 Bonds will be \$357,562.40.

Except as otherwise provided in the Fiscal Agent Agreement (with respect to the use of moneys in the Reserve Fund (i) in connection with the redemption of Bonds with proceeds of Special Tax Prepayments and other redemptions, (ii) for the payment of any rebate liability due to the federal government, and (iii) the use of excess moneys in the Reserve Fund to pay debt service on the Bonds), all amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds. See Appendix C – Summary of the Fiscal Agent Agreement.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent will, upon the written request of the Finance Director, transfer any amount in the Reserve Fund to the Bond Fund to be applied, on the redemption date, to the payment and redemption of all of the Outstanding Bonds. In the event that the amount transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund will be transferred to the City to be used for any lawful purpose. Notwithstanding the foregoing, no amounts will be transferred from the Reserve Fund until after (i) amounts in the Reserve Fund are withdrawn, if needed, for purposes of making payment to the federal government in accordance with the Fiscal Agent Agreement, and (ii) payment of any fees and expenses due to the Fiscal Agent. See Appendix C – Summary of Fiscal Agent Agreement.

Covenant for Superior Court Foreclosure

Foreclosure Under the Act. Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax on the taxed parcel, the City may order the institution of a superior court action to foreclose the lien on the taxed parcel within specified time limits. In such an action, the real property subject to the unpaid amount of the Special Tax lien may be sold at judicial foreclosure sale.

City Foreclosure Covenant. Judicial foreclosure proceedings in the event of delinquent Special Taxes are not mandatory. However, the City has covenanted in the Fiscal Agent Agreement for the benefit of the Bondowners that on or about September 1 of each Fiscal Year, the Finance Director will compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City, and:

(a) If the Finance Director determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes for more than one full year's Special Tax levy on such parcel, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination. Notwithstanding the foregoing, in its sole discretion, the Finance Director need not take such action so long as the amount in the Reserve Fund is at least equal to the Reserve Requirement.

(b) If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies under subsection (a) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

Notwithstanding the foregoing, the Finance Director need not take any such actions with respect to a delinquent parcel if (1) the District is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure (see "SECURITY FOR THE 2017 BONDS – County Teeter Plan"), and (2) the amount in the Reserve Fund is at least equal to the Reserve Requirement (see "SECURITY FOR THE 2017 BONDS – Reserve Fund").

No assurance can be given as to the time necessary to complete any foreclosure sale or that any foreclosure sale will be successful. The City is not required to be a bidder at any foreclosure sale.

In a foreclosure proceeding the City is entitled to recover penalties and interest on the delinquent Special Taxes through the date that an order of sale is entered. However, under the Fiscal Agent Agreement, the Special Taxes pledged to the payment of the 2017 Bonds do not include any such penalties collected by the City or any interest so collected that is in excess of the rate of interest payable on the 2017 Bonds. Also it should be noted that prompt commencement of foreclosure proceedings may not, in and of itself, result in a timely or complete payment of delinquent Special Taxes.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property 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. If foreclosure proceedings are necessary, and the Reserve Fund has been depleted, there could be a delay in payments to owners of the 2017 Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale.

The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the obligee in the event the property is owned by or in receivership of a Federal agency. See "SPECIAL RISK FACTORS – Property Interests of Government Agencies; Federal Deposit Insurance Corporation."

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. If a judgment of foreclosure and order

of sale is obtained, the judgment creditor (the City for the District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period may be shortened to 20 days for parcels other than those on which a dwelling unit for not more than four persons is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.5 of the Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the City 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 City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the Bond Fund, but this payment may be made up to 24 months after the date of the foreclosure sale. Neither the Act nor the Fiscal Agent Agreement requires the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale, and the City has no intent to be such a purchaser.

The City will levy the Special Tax to pay the current year's debt service and related administrative expenses and to replenish the Reserve Fund to the Reserve Requirement, subject to the Maximum Special Tax rates under the Rate and Method. However, if superior court foreclosure proceedings are necessary to collect delinquent Special Taxes, and if the Reserve Fund is depleted, there could be a delay in payments of principal of and interest on the 2017 Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure Delays" and "– Insufficiency of Special Tax Revenues."

County Teeter Plan

The County of Solano and the other political subdivisions within its boundaries operate under the provisions of Sections 4701 through 4717, inclusive, of the Revenue and Taxation Code of the State of California, commonly referred to as the "Teeter Plan," with respect to property tax collection and disbursement procedures. These sections provide an alternative method of apportioning secured taxes whereby agencies levying taxes through the County roll may receive from the County 100% of their taxes at the time they are levied. The County treasury's cash position (from taxes) is insured by a special tax loss reserve fund accumulated from delinquent penalties.

The Board of Supervisors of the County may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County, if the rate of secured tax and assessment delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

The Special Taxes are expected to be collected pursuant to the procedures described above. Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the District meets the Teeter Plan requirements, the City will receive 100% of the annual Special Taxes levied without regard to actual collections; however, there is no assurance

that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures.

Investment of Moneys

Except as otherwise provided in the Fiscal Agent Agreement, all moneys in any of the funds or accounts established pursuant to the Fiscal Agent Agreement will be invested by the Fiscal Agent solely in Permitted Investments, as directed by the City. See Appendix C – Summary of the Fiscal Agent Agreement for a definition of “**Permitted Investments**” and for additional provisions regarding the investment of funds held under the Fiscal Agent Agreement.

Issuance of Additional Bonds

Parity Bonds. Subject to meeting the conditions summarized below, bonds issued by the City for the District will be “**Parity Bonds**” that will be secured by a lien on the Special Tax Revenues (other than the portion of the annual Special Tax Revenues to be deposited into the Administrative Expense Fund as described under the heading “SECURITY FOR THE 2017 BONDS – Special Tax Fund”) and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The Fiscal Agent Agreement defines “**Bonds**” as the 2017 Bonds and any Parity Bonds. As discussed under the “PLAN OF FINANCING – Overview,” the City anticipates issuing Parity Bonds in the future as property in the future annexation area is annexed to the District (see also “THE DISTRICT – The Improvements”).

The City may issue the Parity Bonds subject to the following specific conditions precedent, among others set forth in the Fiscal Agent Agreement:

(A) *Current Compliance.* The City must be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the District’s limitation on debt (as defined in the Act), which limitation is \$15,000,000.

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

(C) *Separate Funds; Reserve Fund Deposit.* The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts. Proceeds of the Parity Bonds shall be deposited into the Reserve Fund in the amount that shall cause the balance in the Reserve Fund to be equal to the Reserve Requirement for the Bonds to be outstanding following issuance of the Parity Bonds.

(D) *Value.* The CFD Value shall be at least three (3) 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 outstanding 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.

In addition to the foregoing, the Undeveloped Property Value shall be at least two and one-half (2 1/2) times an amount equal to the sum of (i) the proportionate share of the amounts described in clauses (i) and (ii) of the preceding paragraph determined by multiplying the aggregate of the amounts described in said clauses (i) and (ii) by the following fraction: the amount of Special Taxes to be levied on Undeveloped Property in the Fiscal Year following the then current Fiscal Year (without regard to any capitalized interest for any Parity Bonds), divided by the total amount of Special Taxes, to be levied on property in the CFD in the Fiscal Year following the then Fiscal Year, as such levy amounts are determined by a Tax Consultant; plus (ii) the aggregate principal amount of any fixed assessment liens on the Undeveloped Property, plus (iii) a portion of the aggregate principal amount of any Other District Bonds (as defined in clause (iv) of the preceding paragraph) equal to the aggregate outstanding 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 the Undeveloped Property, 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) *Special Tax Coverage.* For each Fiscal Year after the issuance of the Parity Bonds, the then maximum amount of the Special Taxes that may be levied for each such Fiscal Year under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement as set forth in a certificate of a Special Tax Consultant, less the Priority Administrative Expense Amount for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds.

(F) *Officer's Certificate.* The City must certify to the Fiscal Agent that the conditions for the issuance of Parity Bonds in the Fiscal Agent Agreement have been met.

Under the Fiscal Agent Agreement, the term “**CFD 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 District 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 any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity 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 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 Finance Director.

Under the Fiscal Agent Agreement, “**Undeveloped Property 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 Undeveloped Property (being property in the CFD subject to the levy of the Special Taxes that is classified as Undeveloped Property in the Rate and Method) 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 any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to the Undeveloped Property by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser selected by the City, or (ii) in the alternative, the assessed value of all such Undeveloped Property as shown on the then current County real property tax roll available to the Finance Director.

It is expressly acknowledged in the Fiscal Agent Agreement that, in determining the CFD Value and the Undeveloped Property 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 District. The Fiscal Agent Agreement provides that neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of the foregoing definitions or by reason of any exercise of discretion made by any appraiser pursuant to the foregoing definitions.

Refunding Bonds. The City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of paragraphs (D) or (E) above, and, in connection therewith, the Officer’s Certificate referred to in paragraph (F) above need not make reference to said paragraphs (D) and (E).

Subordinate Bonds. Nothing in the Fiscal Agent Agreement prohibits the City from issuing bonds or otherwise incurring debt secured by a pledge of Special Tax Revenues subordinate to the pledge of such Special Tax Revenues under the Fiscal Agent Agreement.

THE DISTRICT

Location and Description of the District

The District was formed by the City Council pursuant to proceedings conducted under the Act on April 28, 2015, and an election held on that date whereby the Richland Entities, as the then owners of the land in the District, voted in favor of the formation of the District, the levy of the Special Tax on property in the District and the issuance of bonds for the District. See “THE DISTRICT– History of the District.”

The District includes approximately 23.09 gross acres of land located on the southeastern edge of the City, along West Cherry Street, west of Highway 113 (South 1st Street), in a residential subdivision known as Valley Glen (the “**Development**”). The Development is being developed in several phases, with an initial phase that includes 360 single family homes and 102 apartments completed by 2009, and an additional 59 apartments completed in 2014. See “THE DISTRICT – The Development.” Only 4 of the lots in Phase 1 of the Development are included in the District. See “INTRODUCTION – The District.”

The District currently includes 110 separate lots in Phase 2 of the Development that are subject to the levy of the Special Taxes, all of which are to be improved with single family detached homes. The Development also includes public use areas (which are not subject to the levy of the Special Taxes), and property that is anticipated to be subdivided into 206 separate lots in a "future annexation area." The property in the future annexation area will be subject to the levy of Special Taxes only when and if such property is formally annexed into the District. See "THE DISTRICT- History of the District."






The 110 lots in the District are the subject of final recorded tract maps. Backbone infrastructure for the lots, including streets and the provision of public utilities, has been substantially completed with improvements to be owned by the City expected to be accepted by the City in September of 2017. As of June 30, 2017, 32 building permits had been issued by the City for the construction of homes on the lots, with three model homes completed, home construction underway on the another 23 lots and six lots with permits but without any home construction thereon as of such date. As of such date, sales contracts had been executed for 33 of the homes to be constructed. However, homes subject to sales contracts may not result in closed sales, as the sales contracts are subject to contingencies and cancellation. See "THE DISTRICT— The Development." Between July 1, 2017 and August 3, 2017, an additional 7 building permits have been issued for lots in the District.

Home construction within the District is being undertaken by Richmond American Homes of Maryland, Inc., a Maryland corporation (the "**Developer**"). See "THE DISTRICT – History of the District," and "– The Developer." The Developer acquired the land in the District from the Richland Entities on August 31, 2016. The Richland Entities currently own all of the land in a future annexation area identified on the recorded boundary map for the District, other than four lots in such area already annexed into the District, and such area is currently not subject to the levy of the Special Taxes. While the future annexation area may ultimately be annexed to the District and developed with up to 206 single family detached homes, no assurance can be given as to when and if future annexations to the District will occur. See "THE DISTRICT—The Development."

The following page contains the site plan for the property in the District provided by the Developer.

SITE PLAN OF THE PROPERTY IN THE DISTRICT



	ALAN
	ANDREA
	HEMINGWAY
	SETH
	STACEY

History of the District

In the spring of 2015, the Richland Entities petitioned the City Council to form the District in order to finance public improvements necessitated by the proposed development of the land in the District, including the Improvements. On March 24, 2015, the City Council adopted resolutions of intention to form the District and to incur bond indebtedness of the City for the District, and on April 28, 2015, after the conduct of a public hearing, the City Council adopted a resolution forming the District and a resolution determining the necessity to incur indebtedness for the District and a resolution calling for an election of the then landowners regarding the District. The election was held on April 28, 2015 at which the Richland Entities voted in favor of the District and subsequently on May 12, 2015, the City Council adopted an Ordinance levying special taxes on property in the District and the City recorded a Notice of Special Tax Lien against the property in the District.

The territory initially included in the District, and thereby subject to the levy of the Special Taxes, included only 106 of the lots to be developed in Phase 2 of the Development. The boundary map for the District included a future annexation area that includes an additional 210 lots to be developed with single family detached homes. On June 13, 2016, the Richland Entities executed a Consent to, and Ballot in Favor of, annexation of 4 of the lots in the future annexation area into the District, causing those 4 lots to also be subject to the levy of the Special Taxes. Future annexations of property in the future annexation area of the District are expected to occur (see "THE DISTRICT – The Development"), but no assurance can be given as to if or when such annexations will occur. It is further expected that the Richland Entities will enter into a new acquisition agreement or acquisition agreements with the City with respect to the acquisition by the City, with proceeds of Parity Bonds, of infrastructure improvements authorized to be funded by the District and necessitated by development of the annexed property, and that the City will issue, for the District, Parity Bonds to finance the acquisition of such improvements, when and if the requirements for the issuance of Parity Bonds in the Fiscal Agent Agreement can be satisfied. See "SECURITY FOR THE BONDS – Issuance of Additional Bonds."

The City and the Richland Entities entered into the Acquisition Agreement, dated as of August 23, 2016, which was subsequently assigned to the Developer. See "PLAN OF FINANCING – Overview."

On July 25, 2017, the City Council adopted Resolution No. 17-111 authorizing the issuance of the 2017 Bonds and approving the execution and delivery of the Fiscal Agent Agreement and the Continuing Disclosure Agreement that the City will execute in connection with the issuance of the 2017 Bonds. That Resolution also approved a Preliminary Official Statement and a Bond Purchase Agreement for the 2017 Bonds, and authorized the preparation of this Official Statement.

The Improvements

The District is authorized to fund various public infrastructure improvements constructed or to be constructed within the boundaries of, or in the vicinity of, the District and the future annexation area of the District, including costs of the following described improvements:

The acquisition and construction of: streets (including paving, aggregate base, striping and traffic marking, sidewalks, curbs, gutters and driveways); on site and off site sanitary sewer systems (including sewer lines, manholes, related dewatering and rehabilitation of Highway 113 work area); stormwater drainage systems (including storm drain lines, inlets, outlets, channels, structures, junctions, manholes, catch basins and related dewatering); on-site and off-site water systems (including water mainlines, fire

hydrants, valves, blow off, water services, related dewatering and connection to existing Valley Glen area water system); street light improvements (including light fixtures, substructures, conduits and service points of connection); street signage (including traffic, stop and street name signs); and dry utilities (including electrical, natural gas, telephone, data and related dewatering). The foregoing are to include the acquisition of any related right-of-way and other land needed for the installation of any such improvements, demolition of existing structures and site leveling needed for the installation of any such improvements, erosion control, landscaping, joint trench and other appurtenances. The facilities will, in any event, be specified in the City’s approved improvement plans for the respective facilities.

The facilities eligible to be financed are to include the costs of design, engineering and planning, the costs of any environmental or other studies, surveys or reports, the cost of any required environmental mitigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision, City of Dixon staff and consultant costs, and any other costs or appurtenances related to any of the public improvements to be financed.

Notwithstanding the foregoing, the Acquisition Agreement currently only allows for the acquisition by the City, with proceeds of the 2017 Bonds, of the following improvements (referred to in this Official Statement as the “Improvements”) at purchase prices at the following expected amounts:

Facility	Expected Costs
Public Streets, including sidewalks, curb & gutter and driveways	\$1,735,651.97
Sewer Facilities, including sewer mains, sewer manholes and sewer laterals with cleanouts	621,228.02
Storm Drainage Facilities, including drain main, storm drain manholes and drop inlets	486,993.27
Water Facilities, including water in, valves, water services and fire hydrants	588,321.58
Street Lights, and electrical point of connection	225,033.95
Street Marking & Signage, including striping and markings and traffic signs and street signs	32,805.50
Off-Site Water, including water main, water valves and fire hydrants	<u>114,960.88</u>
TOTAL	\$3,804,995.16

Any of the foregoing not funded with proceeds of the 2017 Bonds will be funded from Special Tax Revenues not needed to pay debt service on the 2017 Bonds and administrative expenses of the District, as may be allowed by the City, or from the proceeds of Parity Bonds when and if such Parity Bonds are issued.

The Improvements are being constructed by the Developer, who has substantially completed the Improvements described above. Final acceptance by the City of the Improvements

is expected to occur in September of 2017, but no assurance can be given that acceptance by the City will occur in September.

The Developer

Information in this section, entitled “The Developer,” is included because it may be considered relevant by some investors to make an informed evaluation and analysis of the property within the District subject to the levy of the Special Taxes and any existing or future improvements thereon as security for the 2017 Bonds. The information contained in this section does not guarantee that the Developer will not change or that the current or any subsequent property owners will pay the Special Tax when due. The Special Tax will constitute a lien on parcels subject to taxation within the District and is not a personal indebtedness of the owners of property within the District. Information in this section has been provided by the Developer, and neither the City nor the Underwriter can ensure, and do not ensure, its completeness or accuracy.

Richmond American Homes of Maryland, Inc., a Maryland corporation (referred to in this Official Statement as the “Developer”), is a wholly-owned subsidiary of M.D.C. Holdings, Inc., a Delaware corporation (“MDC”). MDC is a publicly traded company whose common stock is listed on the New York Stock Exchange under the symbol “MDC.” The Developer and its predecessor entity have been building homes in California since 1986. The Developer’s Southern California operations are based in Irvine, California.

MDC has two primary operations: homebuilding and financial services. MDC’s homebuilding operations consist of wholly-owned subsidiary companies that build and sell homes under the name “Richmond American Homes.” MDC’s financial services operations include subsidiary companies that provide mortgage financing, place title insurance and homeowner insurance for the Developer’s homebuyers, and provide general liability insurance for MDC subsidiaries and most of the Developer’s subcontractors.

MDC is subject to the informational reporting requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, including particularly, MDC’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on February 1, 2017, Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, as filed with the SEC on May 9, 2017, and Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, as filed with the SEC on August 1, 2017 set forth certain data relative to the consolidated results of operations and financial position of MDC and its subsidiaries as of such dates. The SEC maintains an internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including MDC. The address of such internet web site is www.sec.gov. All documents subsequently filed by MDC pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of MDC’s Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are also available from MDC on the Developer’s website at www.richmondamerican.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet sites.

To date, the Developer has financed its land acquisition, site development and home construction costs related to its property in the District through internally generated funds. The Developer expects to use homes sales revenue and internally generated funds to complete the development of the property in the District. The Developer believes that such funding sources will be sufficient to complete its proposed development of the 110 lots in the District as described herein.

No assurance can be given that amounts necessary to fund the remaining planned development of the 110 lots owned by the Developer in the District will be available when needed. Neither the Developer nor any other entity or person is under any legal obligation of any kind to expend funds for the development of the property in the District. Any contributions by the Developer or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development within the District, the remaining portions of such development may not be completed. See “SPECIAL RISK FACTORS – Failure to Complete the Development.”

The Development

General. The Valley Glen development, a residential community located in the City, is the subject of a Development Agreement, dated November 27, 2002 (the “**Development Agreement**”), between the City and SWD Land Company, a California Joint Venture Partnership (“**SWD**”), which acquired the property from four individuals that originally owned the property. The Development Agreement allowed for 837 “Residential Development Allotments” in an amount sufficient to allow for the completion of the Development (including for 676 single family lots and two multifamily parcels entitled for 161 dwelling units), under a ballot measure approved by the electorate of the City on April 8, 1986 and reapproved by the electorate on November 5, 1996. The Development Agreement required the construction of various public improvements and the payment of various fees, with the Residential Development Allotments to be allocated on a yearly basis during the period from calendar year 2003 through calendar year 2010.

On April 4, 2003, SWD assigned its interests in most of the property subject to the Development Agreement to Pulte Homes Corporation (“Pulte”). Thereafter, Pulte constructed 360 single family homes and 102 apartment units in the Development. Pulte halted development of the property in 2009, and sold the then remaining 316 lots for single family homes to WSI Land Holdings, LLC. On December 18, 2009, Pulte assigned its then remaining rights and obligations under the Development Agreement to WSI Land Holdings, LLC. WSI Land Holdings, LLC subsequently sold its interest in the 316 lots to the Richland Entities. On December 31, 2012, the Richland Entities assigned their rights and obligations under the Development Agreement relating to the remaining authorized 59 apartment units and sold the related lot in the Development to Dixon Pacific Associates, A California Limited Partnership, which completed construction of the 59 apartments in 2014.

The Richland Entities and the City entered into an Amendment No. 1 to Development Agreement in August of 2014, which amended the Development Agreement to allow for the then remaining 316 Residential Development Allotments to be reallocated, with 184 allotments allocated to years 2015 through 2017, 78 allotments allocated to 2018 and 54 allotments allocated to 2019. The amendment also extended the term of the Development Agreement to November 27, 2022. On August 31, 2016, the Richland Entities sold 110 of the lots in the Development to the Developer for a price of \$6,050,000, and retained the rights to develop the remaining 206 lots in the Development, which 206 lots are included in the future annexation area of the District. See “PLAN OF FINANCING – Overview” and “THE DISTRICT – History of the District.”

The 110 lots in the Development that are included in the District are in Flood Zone X, as designated by the Federal Emergency Management Agency under its National Flood Insurance Program, indicating that the property is outside of 100 and 500 year flood plains, and the property is within Zone 3 of the Seismic Safety Commission, which is considered to be the lowest risk zone in California. See, however, "SPECIAL RISK FACTORS – Natural Disasters."

The 110 lots in the Development that are in the District are the subject of final recorded tract maps. Backbone infrastructure for the lots, including streets and the provision of public utilities, has been substantially completed with improvements to be owned by the City expected to be accepted by the City in September of 2017. As of July 6, 2017, 26 building permits had been issued by the City for the construction of homes on the lots, with three model homes completed and home construction underway on the other 23 lots. As of such date, sales contracts had been executed for 33 of the homes to be constructed.

The Developer has advised that, as of July 18, 2017, it expected that an additional \$80,000 will be needed to complete the development of the property in the District, not including the costs to build homes not yet completed on the 110 lots in the District. The Developer is marketing the lots as part of "Orchards at Valley Glen," with five distinct housing types identified as "Stacey," with 3-5 bedroom homes of approximately 2,500-2,700 square feet (20 lots); "Hemingway," with 4-5 bedroom homes of approximately 2,700 square feet (22 lots), "Seth," with 4-6 bedrooms of approximately 3,000-3,200 square feet (21 lots); "Alan" with 3-4 bedrooms and approximately 1,900-2,050 square feet (26 lots); and "Andrea" with 3-5 bedrooms and approximately 2,793 square feet (21 lots). Base prices for the homes currently range from \$420,950 for the Alan product to \$477,950 for the Seth product. Prices for the homes are subject to change at any time by the Developer. First home deliveries to homebuyers are expected in September/October of 2017.

Future Annexation Area. Information on the Future Annexation Area is provided for informational purposes; only the Special Taxes levied on the 110 lots in the District is security for the 2017 Bonds. At this time, there will be no levy of Special Taxes on any of the Future Annexation Area. According to Richland Entities, the Future Annexation Area is anticipated to be developed in two subsequent phases, known as Phase 3-Unit 2 and Phase 4-Unit 1.

Phase 3-Unit 2 is expected to consist of 122 single-family lots. The Richland Entities have indicated that they intend to arrange for final engineering for the previously blue topped lots and then sell the lots to one or more merchant homebuilders. Final engineering for the lots is underway. The Richland Entities currently anticipate that the lots in Phase 3-Unit 2 should be in blue topped condition with final engineering complete by the fourth quarter of 2017, and that the lots will likely be offered for sale to merchant homebuilders in the first quarter of 2018.

Phase 4-Unit 1 is expected to consist of 84 single-family lots. The Richland Entities have indicated that they intend to arrange for final engineering for the previously blue topped lots and then sell the lots to one or more merchant homebuilders. Final engineering for the lots is anticipated to commence in the third quarter of 2018. The Richland Entities currently anticipate that Phase 4-Unit 1 will be in blue topped condition with final engineering in place by the first quarter of 2019, and that the lots will likely be offered for sale to merchant homebuilders in the second quarter of 2019.

The Richland Entities have indicated that they anticipate that each subsequent phase will be annexed to the District prior to or concurrently with conveyance of property to a merchant homebuilder. The Richland Entities anticipate that Parity Bonds will be issued 3-6 months following conveyance to a merchant homebuilder of each subsequent phase.

The Richland Entities plan to fund the engineering and other work necessary for lots in each subsequent phase to be brought into blue top condition through internal sources and proceeds of land sales to merchant builders. The property in the Future Annexation Area is not currently encumbered by any deeds of trust, and the Richland Entities do not anticipate, but cannot guarantee, that financing for future work will not involve outside lenders.

No assurances can be made that the Richland Entities or any future owner of the Future Annexation Area will have the resources, willingness, or ability to successfully complete the development of the Future Annexation Area as described herein. Moreover, the development plan for the Future Annexation Area as described herein may change at any time. No representation is made as to the ability (financial or otherwise) of the Richland Entities or any future owner of the Future Annexation Area to complete the development of the Future Annexation Area as currently contemplated.

No assurance can be given that the sources of financing available to the Richland Entities or any other owners will be sufficient to complete the Development as currently planned and as described in this Official Statement. Neither the Richland Entities nor any of their related entities are under any legal obligation of any kind to expend any funds in connection with the development of the Future Annexation Area. Development and sale of the Future Annexation Area as described herein is based on current market conditions. The Richland Entities cannot, and do not, make any predictions as to the effect of current or future economic or governmental conditions may have on any plans related to the Richland Entities' current plans for sale and development of the Future Annexation Area.

Property Values

The value of property within the District is an important factor in determining the investment quality of the 2017 Bonds. If a property owner defaults in the payment of the Special Tax, the City's primary remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. The Special Tax is not a personal obligation of the owners of the property. A variety of economic, political, and natural occurrences incapable of being accurately predicted can affect property values. See "SPECIAL RISK FACTORS – Property Value."

The City has commissioned the Appraisal Report for the property in the District. The Appraisal Report estimates the market value of the property as of June 6, 2017, based upon a hypothetical condition, and the assumptions and limiting conditions, described in the Appraisal Report. **The Appraisal Report is included in Appendix G to this Official Statement and should be read in its entirety for an explanation of the methodology and the assumptions underlying and the conditions limiting the valuation conclusions contained in the Appraisal Report. Neither the City nor the Underwriter makes any representation as to the accuracy or completeness of the Appraisal Report.**

The Appraiser concluded in the Appraisal Report that the market value of the property in the District is \$16,910,000, subject to the hypothetical condition that the Improvements to be funded with proceeds of the 2017 Bonds were in place as of the June 6, 2017 date of value and the property was encumbered by the lien of the Special Taxes securing the 2017 Bonds, and with certain general assumptions and limiting conditions set forth in the Appraisal Report. The appraised value of the land in the District, as reflected in the Appraisal Report, is approximately 3.54 times the \$4,770,000 initial principal amount of the 2017 Bonds.

The Appraisal Report does not take into account possible future liens or indebtedness which may be imposed by the City or by other public entities. As described under the heading

“SECURITY FOR THE 2017 BONDS – Issuance of Additional Bonds,” if certain requirements for the issuance of Parity Bonds are met, the City anticipates issuing Parity Bonds to finance some of the costs of the Improvements not funded with proceeds of the 2017 Bonds and the costs of improvements necessitated by development of the future annexation area. See “THE DISTRICT – The Improvements.” The City has not covenanted, and in many instances does not have the legal ability, to restrict other entities from imposing indebtedness, which may be secured by a lien on the Taxable Property in the District which is on a parity with the Special Tax. See “THE DISTRICT – Direct and Overlapping Governmental Obligations” and “SPECIAL RISK FACTORS – Parity Taxes and Special Assessments.” A number of economic, political, and natural occurrences may adversely affect the value of the property as expressed in the Appraisal Report and the Appraisal Update. See “SPECIAL RISK FACTORS.”

The following table contains an estimate of the value of the Taxable Property in the District, based upon the value of the 110 lots per an appendix to the Appraisal Report, allocated to the current land use categories under the Rate and Method.

Table 1
City of Dixon
Community Facilities District No. 2015-1
(Valley Glen No. 2)

Expected Land Uses and Estimated Values
(Development Status as of June 30, 2017)⁽¹⁾

Special Tax Category	Taxable Parcels	Maximum Special Tax (FY 2017-18)	Expected FY 2017-18 Special Tax Levy ⁽²⁾	% of Total	Appraised Value	Allocated 2017 Bond Debt ⁽³⁾	Estimated Value-to- Lien
<u>Developed Property</u>							
Lots < 7,000 Sq. Ft.	18	\$40,263	\$40,263	21.0%	\$2,898,000	\$1,000,843	2.9
Lots ≥ 7,000 and < 10,000 Sq. Ft.	12	29,027	29,027	15.1	2,527,000	721,541	3.5
Lots ≥ 10,000 Sq. Ft.	2	5,202	5,202	2.7	950,000	129,308	7.3
Subtotal	32	\$74,493	\$74,493	38.8%	\$6,375,000	\$1,851,692	3.4
<u>Final Map Property</u>							
Lots < 7,000 Sq. Ft.	46	\$102,896	\$ 66,798	34.8%	\$6,210,000	\$1,660,408	3.7
Lots ≥ 7,000 and < 10,000 Sq. Ft.	29	70,149	45,539	23.7	3,915,000	1,131,985	3.5
Lots ≥ 10,000 Sq. Ft.	3	7,803	5,066	2.6	405,000	125,915	3.2
Subtotal	78	\$180,848	117,402	61.2%	\$10,530,000	\$2,918,308	3.6
Total	110	\$255,341	\$191,895	100.0%	\$16,905,000	\$4,770,000	3.5

(1) Under the Rate and Method, “Developed Property” includes Taxable Property for which a building permit for new construction was issued prior to June 30 of the prior Fiscal Year. See “SECURITY FOR THE 2017 BONDS – Summary of Rate and Method – Classification of Property.”

(2) Special Taxes will only be levied against parcels of Developed Property in Fiscal Year 2017-18; the remainder of the debt service will be paid from capitalized interest funded with proceeds of the 2017 Bonds. See “PLAN OF FINANCING – Sources and Uses of Funds.”

(3) Does not take into account overlapping bonded indebtedness (see “THE DISTRICT – Direct and Overlapping Governmental Obligations”). Allocated based on the expected Fiscal Year 2017-18 Special Tax levy.

Source: Seevers Jordan Ziegenmeyer; City of Dixon; Goodwin Consulting Group, Inc.

Value-to-Burden Ratio

General Information Regarding Value-to-Burden Ratios. The value-to-burden ratio (value of land subject to special tax levies divided by allocable principal amount) for bonds secured by special taxes will generally vary over the life of those bonds as a result of changes in

the value of the property that is security for the special taxes and the principal amount of the bonds.

In comparing the appraised value of the Taxable Property within the District and the principal amount of the 2017 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 2017 Bonds is not allocated equally among the parcels within the District; rather, the principal amount of the 2017 Bonds has been allocated among the parcels in the District based on their respective share of the total estimated Special Tax that could be levied when all of the parcels have been developed and also on their respective share of the estimated Maximum Special Tax levy for fiscal year 2017-18.

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 Property caused by, among other possibilities, earthquake, drought, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District. See "SPECIAL RISK FACTORS – Property Value" and "– Bankruptcy Delays."

The following table summarizes the projected initial 2017 Bond debt to value of the current 110 separate County Assessor's parcels in the District, using the appraised value from an appendix to the Appraisal Report for all of the parcels in the District.

Table 2
City of Dixon
Community Facilities District No. 2015-1
(Valley Glen No. 2)

Summary of Value-to-Lien Ratios
(Development Status as of June 30, 2017)⁽¹⁾

Value to Lien	Taxable Parcels	FY 2017-18 Actual Special Tax Levy	Appraised Value	Allocated 2017 Bond Debt ⁽²⁾	% of Allocated 2017 Bond Debt
5:1 to 10:1	3	\$ 7,621	\$ 1,420,000	\$ 189,436	4.0%
3:1 to 5:1	98	164,142	14,270,000	4,080,142	85.5
3:1 and below	9	20,132	1,215,000	500,421	10.5
Total	110	\$191,895	\$16,905,000	\$4,770,000	100.0%

(1) Under the Rate and Method, "Developed Property" includes Taxable Property for which a building permit for new construction was issued prior to June 30 of the prior Fiscal Year. See "SECURITY FOR THE 2017 BONDS – Summary of Rate and Method – Classification of Property."

(2) Does not take into account overlapping bonded indebtedness. See "THE DISTRICT – Direct and Overlapping Governmental Obligations." Allocated based on the expected Fiscal Year 2017-18 Special Tax levy.

Source: Seevers Jordan Ziegenmeyer; Stifel, Nicolaus & Company Incorporated; Goodwin Consulting Group, Inc.

Direct and Overlapping Governmental Obligations

General. Property within the District is subject to general obligation and general fund overlapping debt, and assessments by other governmental agencies. However, the lien for the Special Taxes is co-equal to the lien of the assessments and the lien for general property taxes. Additional indebtedness could be authorized by other public agencies at any time.

To repay direct and overlapping debt the owners of the land within the District must pay the annual Special Taxes, special assessments, and the general property tax levy. The ability of

the City to collect the Special Taxes could be adversely affected if additional debt is issued with respect to the Taxable Property in the District. The land, at any time, could become subject to additional parity debt either by the formation of additional community facilities districts or the imposition of other taxes and assessments by public agencies other than the City. The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of the landowners to pay the Special Taxes and may increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes.

The current and estimated direct and overlapping obligations affecting the property in the District as of July 25, 2017, are shown in the following table. The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. Neither the City nor the Underwriter has independently verified the information in the table and they make no representation as to its completeness or accuracy.

**Table 3
City of Dixon
Community Facilities District No. 2015-1
(Valley Glen No. 2)**

Direct and Overlapping Indebtedness

2016-17 Assessed Valuation: \$1,071,858

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/17</u>
Solano County Community College General Obligation Bonds	0.002%	\$ 6,509
Dixon Unified School District General Obligation Bonds	0.038	18,656
City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2)	100.	<u>4,770,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$4,795,165
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Solano County General Fund Obligations	0.002%	\$1,936
Solano County Pension Obligation Bonds	0.002	1,042
Solano County Office of Education Certificates of Participation	0.002	8
Solano Community College District General Fund Obligations	0.002	223
Dixon Unified School District Certificates of Participation	0.038	3,595
City of Dixon General Fund Obligations	0.056	<u>586</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$7,390
 COMBINED TOTAL DEBT		 \$4,802,555 ⁽²⁾

(1) The 2017 Bonds.

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

Source: California Municipal Statistics.

Ratios to 2016-17 Local Secured Assessed Valuation:

Direct Debt	445%
Total Direct and Overlapping Tax and Assessment Debt.....	447%
Combined Total Debt	448%

Sample Tax Bill. Set forth below is Table 4, which provides, for a parcel in Unit 1 which has been sold to a homeowner, the expected property tax bill that would be received by an owner of the property for fiscal year 2017-18, had the Special Tax been levied for that fiscal year.

Table 4
City of Dixon
Community Facilities District No. 2015-1
(Valley Glen No. 2)

Estimated Fiscal Year 2017-18 Illustrative Tax Bill

		SFD Lots ≥ 10,000 SF	SFD Lots ≥ 7,000 SF & < 10,000 SF	SFD Lots < 7,000 SF
<u>Assumptions</u>				
Average Home Price ⁽¹⁾		\$517,390	\$503,480	\$468,705
Homeowner's Exemption		(7,000)	(7,000)	(7,000)
Net Expected Assessed Value		<u>\$510,390</u>	<u>\$496,480</u>	<u>\$461,705</u>
<u>Ad Valorem Tax Rate</u>				
1 PCT Tax Limitation	1.000000	\$5,104	\$4,965	\$4,617
SC Water Agency ST Water Proj	0.020000	102	99	92
SCC GOB Series 2006b	0.000861	4	4	4
DUSD 2012 GOB Refunding	0.057132	292	284	264
SCC GOB 2012 Series A	0.012965	66	64	60
SCC GOB 2012 Series B	0.003373	17	17	16
SCC 2014 GOB Ref Series A	0.002182	11	11	10
SCC 2014 GOB Ref Series B	0.015662	80	78	72
Total Ad Valorem Taxes	<u>1.112175</u>	<u>\$5,676</u>	<u>\$5,522</u>	<u>\$5,135</u>
<u>Direct Charges</u>				
Dixon Landscape/Light Zone 10		\$125	\$125	\$125
S.I.D. Assessment		43	43	43
CFD No. 2003-1 (Valley Glen) ⁽²⁾		424	353	283
CFD No. 2015-1 (Valley Glen No. 2)		2,601	2,419	2,237
Total Direct Charges		<u>\$3,193</u>	<u>\$2,940</u>	<u>\$2,688</u>
Total Taxes and Direct Charges		\$8,869	\$8,462	\$7,823
Percentage of Net Expected Assessed Value		1.74%	1.70%	1.69%

(1) Based on the weighted average of estimated home prices provided by the Developer.

(2) Represents an annual special tax for municipal services.

Source: Solano County Tax Collector's Office; and Goodwin Consulting Group, Inc.

Other Potential Debt. The City has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the Taxable Property within the District which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the taxable property within the District. Furthermore, nothing prevents the owners of taxable property within the District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the taxable property within the District on a parity with the lien of the Special Taxes.

Accordingly, the debt on the property within the District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the estimated value-to-lien ratio that exists at the time the 2017 Bonds are issued. The imposition of such additional indebtedness could reduce the willingness and ability of the owners of the property within the District to pay the Special Taxes when due. See "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments."

Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of the property with delinquent Special Taxes

would be sufficient to pay the delinquent Special Taxes. See “SPECIAL RISK FACTORS – Property Value.”

Projected Bond Debt Service Coverage

The Maximum Special Tax that can be levied on Taxable Property in the District in any fiscal year is limited by the Rate and Method. See “SECURITY FOR THE 2017 BONDS—Special Taxes” and “—Summary of Rate and Method.” Also, pursuant to Section 53321(d) of the California Government Code, the Special Tax levied against any Assessor’s parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency of default by the owner of any other Assessor’s parcel within the District by more than ten percent (10%) above the amount that would have been levied in the fiscal year had there never been any such delinquencies of defaults. See “SECURITY FOR THE 2017 BONDS—Summary of Rate and Method.

Table 5 set forth below sets forth information regarding the current annual Maximum Special Taxes that can be levied on Taxable Property in the District, and the related projected debt service coverage of the Special Taxes, after deduction of the Priority Administrative Expense Amount (see “SECURITY FOR THE 2017 BONDS – Special Tax Fund), over the scheduled debt service on the 2017 Bonds.

Table 5
City of Dixon
Community Facilities District No. 2015-1
(Valley Glen No. 2)

Projected Bond Debt Service Coverage

Year Ending September 1st	Expected Maximum Special Tax Revenues ⁽¹⁾	Priority Administrative Expense Amount ⁽²⁾	Net Special Tax Revenue ⁽³⁾	2017 Bonds Net Debt Service	Debt Service Coverage ⁽⁵⁾
2018	\$ 73,748	---	\$ 73,748	\$ 73,748 ⁽⁴⁾	1.00
2019	260,447	\$20,400	240,047	217,313	1.10
2020	265,656	20,808	244,848	221,513	1.11
2021	270,969	21,224	249,745	225,613	1.11
2022	276,389	21,649	254,740	229,613	1.11
2023	281,917	22,082	259,835	233,513	1.11
2024	287,555	22,523	265,032	237,313	1.12
2025	293,306	22,974	270,332	241,013	1.12
2026	299,172	23,433	275,739	249,438	1.11
2027	305,156	23,902	281,254	252,438	1.11
2028	311,259	24,380	286,879	259,038	1.11
2029	317,484	24,867	292,616	265,238	1.10
2030	323,834	25,365	298,469	271,038	1.10
2031	330,310	25,872	304,438	276,438	1.10
2032	336,916	26,390	310,527	281,438	1.10
2033	343,655	26,917	316,737	286,038	1.11
2034	350,528	27,456	323,072	290,238	1.11
2035	357,538	28,005	329,534	299,038	1.10
2036	364,689	28,565	336,124	302,238	1.11
2037	371,983	29,136	342,847	310,038	1.11
2038	379,423	29,719	349,704	312,969	1.12
2039	387,011	30,313	356,698	320,281	1.11
2040	394,751	30,920	363,832	327,031	1.11
2041	402,646	31,538	371,108	332,925	1.11
2042	410,699	32,169	378,531	343,238	1.10
2043	418,913	32,812	386,101	347,775	1.11
2044	427,292	33,468	393,823	356,731	1.10
2045	435,837	34,138	401,700	364,913	1.10
2046	444,554	34,820	409,734	367,319	1.12
2047	453,445	35,517	417,928	379,144	1.10

(1) For year ending September 1, 2018, equal to actual expected Special Tax levy for Fiscal Year 2017-18, less a County administrative expense of \$744. For future years ending September 1st, Expected Maximum Special Tax is calculated using the Maximum Special Tax for Developed Property and for Final Mapped Property for all 110 parcels in the District. See "INTRODUCTION – Security for the 2017 Bonds - Limitations" and "SECURITY FOR THE 2017 BONDS – Summary of Rate and Method – Collection of Special Taxes" for a description of a limitation on the ability of the City to increase Special Tax levies in certain events.

(2) There is no Priority Administrative Expense Amount for Fiscal Year 2017-18, as 2017 Bond proceeds in the amount of \$20,000 will be deposited to the Administrative Expense Fund on the date of issuance of the 2017 Bonds. Equal to \$20,400 for Fiscal Year 2018-19, increasing each Fiscal Year by an additional 2% of the amount in effect for the prior Fiscal Year. See "SECURITY FOR THE 2017 BONDS – Special Tax Fund."

(3) Maximum Special Taxes, less Priority Administrative Expense Amount.

(4) For the Bond Year ending September 1, 2018, \$98,146.62 of interest on the 2017 Bonds will be funded with proceeds of the 2017 Bonds. See "PLAN OF FINANCING – Sources and Uses of Funds."

(5) Net Special Tax Revenues as a percentage of 2017 Bonds Debt Service.

Source: Stifel, Nicolaus & Company, Incorporated; Goodwin Consulting Group, Inc.

SPECIAL RISK FACTORS

The following is a description of certain risk factors affecting the District, the property owners in the District, the parcels subject to the levy of Special Taxes and the payment of and security for the 2017 Bonds. The following discussion of risks is not meant to be a complete list of the risks associated with the purchase of the 2017 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the investment quality of the 2017 Bonds. There can be no assurance that other risk factors will not become material in the future.

No General Obligation of the City or the District

The City's obligations under the 2017 Bonds and under the Fiscal Agent Agreement are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund. The 2017 Bonds are not general obligations of the City nor obligations otherwise payable from the City's General Fund, but are limited obligations of the City for the District payable solely from the Special Tax Revenues derived from Special Taxes levied on property in the District and funds pledged therefor and under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City or the State of California or of any of their respective political subdivisions is pledged to the payment of the 2017 Bonds.

Concentration of Ownership

All of the property in the District subject to the levy of the Special Taxes (the "**Taxable Property**") is currently owned by the Developer. While the construction and sales of homes in the District are ongoing, and the Developer has executed sales contracts for 33 of the lots in the District, the construction and sales of homes are expected to occur over a period of time. No assurance can be given that sales contracts executed to date will result in completed sales to homebuyers. The lack of diversity in ownership of property in the District, and the consequent lack of diversity in the obligation to pay the Special Taxes levied in the District, represents significant risk to the owners of the 2017 Bonds in that the ability of the Developer to pay the Special Taxes levied on property it owns may depend, in part, on the successful sales of lots and homes it owns in the Development.

Failure of any owner of a significant portion of the Taxable Property in the District to pay the annual Special Taxes when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of the delinquent parcels of land upon a foreclosure or otherwise. In that event, there could be a default in payments of the principal of, and interest on, the 2017 Bonds. See "SPECIAL RISK FACTORS – Insufficiency of Special Tax Revenues."

Failure to Complete the Development

The completion of the development of the Taxable Property requires the construction of homes and other site work. While the construction of necessary backbone infrastructure improvements has been completed (see "THE DISTRICT – The Improvements"), the City has not yet formally accepted the Improvements and may require the completion of "punch list" items before the Improvements are so accepted. Any event that significantly impacts the ability to complete the homes in the District on a timely basis (such as strikes or other work stoppages, loan defaults, adverse weather conditions, catastrophic events such as earthquakes or other natural events, or other similar events) could cause the value of the land within the District to be less than that estimated by the Appraiser and could affect the willingness and ability of the Developer to

pay the Special Taxes when due. See “THE DISTRICT – The Development” for additional information regarding the status of development in the District.

Payment of the Special Tax is not a Personal Obligation

The owners and users of the parcels in the District are not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation that is secured only by a lien against the property on which it is levied. If the value of a property is not sufficient to secure fully the payment of the Special Tax levied and to be levied on it, the City has no recourse against the owner of the property.

Property Value

If a landowner defaults in the payment of the Special Tax and such non-payment is not otherwise paid by reason of the County’s Teeter Plan (see “SECURITY FOR THE 2017 BONDS – County Teeter Plan”), the only legal remedy is the institution of a superior court action to foreclose on the delinquent Taxable Property in an attempt to obtain funds with which to pay the Special Tax. The City commissioned the Appraisal Report for the land in the District subject to the levy of the Special Tax in which the Appraiser concluded that, as of June 6, 2017, the market value of the property was \$16,910,000. See Appendix G – Appraisal Report. The Appraisal Report is subject to a hypothetical condition, as well as certain assumptions and limiting conditions contained in the Appraisal Report. Prospective purchasers of the 2017 Bonds should not assume that the land within the District could be sold for the appraised amount described in the Appraisal Report at a foreclosure sale for delinquent Special Taxes. The City makes no representation as to the accuracy of the Appraisal Report.

The value of the Taxable Property in the District could be adversely affected by economic factors beyond the City’s control, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other expenses of owning the property, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, wildfire, earthquakes, tsunamis, drought and floods), which may result in uninsured losses. See “SPECIAL RISK FACTORS – Natural Disasters.”

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay the delinquent Special Tax installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not specify any obligation of the City with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale in any such action if there is no other purchaser at such sale. The City is not obligated and does not expect to be a bidder at any such foreclosure sale. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” and “SPECIAL RISK FACTORS – Proceeds of Foreclosure Sales.”

Value-to-Lien Ratios

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property (usually either the

assessed value or a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes as represented by the principal amount of bonds repaid by such assessment or special tax. A value-to-lien ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-lien ratios. Further, the value-to-lien ratio typically cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio (with a ratio below 1:1, the land is worth less than the unpaid principal of the bonded debt allocable to it). Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. Such local agencies typically do not coordinate their bond issuances. Debt issuance by an entity other than the City for the District can therefore dilute value-to-lien ratios. See “THE DISTRICT– Direct and Overlapping Governmental Obligations.”

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method. In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction, or by gift or devise, that is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property, for outstanding Bonds only, is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested. See “SECURITY FOR THE 2017 BONDS – Special Taxes.”

In particular, insofar as the Act requires payment of the Special Tax by a federal entity acquiring property within the District, it may be unconstitutional. See “SPECIAL RISK FACTORS – Property Interests of Government Agencies; Federal Deposit Insurance Corporation.” If for any reason property within the District becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government or another public agency, subject to the limitation of the Maximum Special Tax, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax. Moreover, if a substantial portion of land within the District becomes exempt from the Special Tax because of public ownership, or otherwise, the maximum rate that could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2017 Bonds when due and a default would occur with respect to the payment of such principal and interest. See, however, the definition of Taxable Public Property under the heading “SECURITY FOR THE 2017 BONDS – Summary of Rate and Method.”

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute liens against the taxable parcels in the District until they are paid. Such lien is on a parity with all special taxes and special

assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the taxable parcel. The Special Taxes have priority over all existing and future private liens imposed on the property. The Special Tax has the same lien priority with respect to the property. See “THE DISTRICT – Direct and Overlapping Governmental Obligations” for a description of existing overlapping liens on the property.

The City has no control over the ability of other entities to issue indebtedness secured by special taxes or assessments payable from all or a portion of the taxable property within the District subject to the levy of Special Taxes. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes or assessments, and any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. The imposition of additional indebtedness could reduce the willingness and the ability of the property owners within the District to pay the Special Taxes when due.

Insufficiency of Special Taxes

In order to pay debt service on the 2017 Bonds, it is necessary that the Special Taxes levied against the Taxable Property within the District be paid in a timely manner. The City has established the Reserve Fund in an amount equal to the Reserve Requirement to pay debt service on the 2017 Bonds and any Parity Bonds to the extent Special Taxes are not paid on time and other funds are not available. See “SECURITY FOR THE 2017 BONDS – Reserve Fund” and Appendix C – Summary of the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, the City has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement; subject, however, to the limitation that the City may not levy the Special Tax in any fiscal year at a rate in excess of the Maximum Special Tax rates permitted under the Rate and Method. In addition, the Act imposes certain limitations on increases in Special Taxes on residential parcels as a consequence of delinquencies in payment of the Special Taxes. See “SECURITY FOR THE 2017 BONDS – Summary of Rate and Method – Collections of Special Taxes.” Consequently, if a delinquency occurs, the City may be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitation of the Maximum Special Tax rates. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the 2017 Bonds would occur if proceeds of a foreclosure sale did not yield a sufficient amount to pay the delinquent Special Taxes.

The City has made certain covenants regarding the institution of foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the 2017 Bonds. See “SECURITY FOR THE 2017 BONDS – Covenant for Superior Court Foreclosure.” If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest.

Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2017 Bonds are derived, are being billed to the property within the District on the regular property tax bills sent to owners of the parcels. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special

Tax installment payments in the future. See “SECURITY FOR THE 2017 BONDS – Reserve Fund” and “– Covenant for Superior Court Foreclosure” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments. See also, however, “SECURITY FOR THE 2017 BONDS – County Teeter Plan,” including information related to potential termination of the “Teeter Plan” in respect of Special Tax levies in the District.

Bankruptcy Delays

The payment of the Special Tax and the ability of the City to commence a superior court action to foreclose the lien of a delinquent unpaid Special Tax, as discussed in “SECURITY FOR THE 2017 BONDS – Covenant for Superior Court Foreclosure,” may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State of California relating to judicial foreclosure. Any legal opinion to be delivered concurrently with the delivery of the 2017 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 2017 Bonds.

Proceeds of Foreclosure Sales

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax, the City Council, as the legislative body of the District, may order that the Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. The City has covenanted in the Fiscal Agent Agreement that it will, under certain circumstances, commence such a foreclosure action. See “SECURITY FOR THE 2017 BONDS – Covenant for Superior Court Foreclosure.”

No assurances can be given that a taxable parcel in the District that would be subject to a judicial foreclosure sale for delinquent Special Taxes will be sold or, if sold, that the proceeds of such sale will be sufficient to pay the delinquent Special Tax installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not specify any obligation of the City with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale in any such action if there is no other purchaser at such sale and the City has not in any way agreed nor does it expect to be such a bidder.

In a foreclosure proceeding, a judgment debtor (i.e., the property owner) has 120 days (and in some cases a shorter period) from the date of service of the notice of levy, and 20 days from the subsequent notice of sale, in which to redeem the property to be sold and may have other redemption rights afforded by law. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale if the purchaser at the sale was the judgment creditor. If a foreclosure sale is thereby set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made.

If foreclosure proceedings were ever instituted, any holder of a mortgage or deed of trust on the affected property could, but would not be required to, advance the amount of the delinquent Special Tax installment to protect its security interest.

In the event such superior court foreclosure or foreclosures are necessary, there could be a delay in principal and interest payments to the owners of the 2017 Bonds pending prosecution of the foreclosure proceedings and receipt by the District of the proceeds of the foreclosure sale, if any. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions and other factors beyond the control of the City, including delay due to crowded local court calendars or legal tactics and, in any event could take several years to complete. In particular, bankruptcy proceedings involving the Developer or any other owner of a taxable parcel in the District could cause a delay, reduction or elimination in the flow of Special Tax Revenues to the Fiscal Agent. See "SPECIAL RISK FACTORS – Bankruptcy Delays."

Natural Disasters

The value of the Taxable Property in the District in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the property and the continued habitability and enjoyment of such private improvements. Such occurrences include, without limitation, wildfire, earthquakes, drought and floods. However, with respect to floods, the City, including the District, is located in an area designated as Zone X by FEMA, indicating an area of minimal flood hazard.

In 1892, most of northern California and west-central Nevada was shaken by an earthquake of about Richter magnitude 6.5, and major damage was reported in, among other places, the Cities of Vacaville and Dixon. No causative fault was identified as the source of the 1892 earthquake, but the Midland fault and other faults are in the vicinity of the City. Other than the 1892 earthquake and related aftershocks, the only magnitude 5.0 or greater earthquake to occur in the area was a 5.5 event on May 19, 1902, located in the Fairfield-Vacaville area of the County. No assurance can be given that future earthquakes will not occur affecting the property in the City and in the District.

One or more of such 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, the value of the property in the District may well depreciate or disappear.

From time to time the desert southwest and much of California experiences extended drought conditions. However in the past year, rainfall and snowpack has been in excess of historic normal conditions. Water service within the District is provided by the California Water Service and there can be no assurance that any future drought conditions will not adversely affect the California Water Service's ability to do so.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely

applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels 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.

The City has not independently verified, but is not aware of, the presence of any hazardous substances within the District.

Disclosure to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax, even if the value of the property is sufficient to justify payment, may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a Notice of Special Tax Lien with respect to the 106 lots originally included in the District, and a First Amendment to Notice of Special Tax Lien with respect to the 4 lots annexed to the District, to be recorded in the Office of the Recorder for the County. Although title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation when purchasing real property within the District or lending money thereon, as applicable.

California Civil Code Section 1102.6b requires that, in the case of transfers, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Property Interests of Government Agencies; Federal Deposit Insurance Corporation

The City's ability to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Special Tax payment may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Federal National Mortgage Association ("Fannie Mae"), Freddie Mac, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agencies has or obtains an interest.

General. 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." The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including the Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it

can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* 597 F.2d 174 (9th Cir. 1979), the United States Court of Appeal, Ninth Circuit (the "Ninth Circuit"), held that Fannie Mae 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 Fannie Mae constitutes an exercise of state power over property of the United States.

The City has not 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, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2017 Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go 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 real 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 proper 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 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 Law 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 special taxes levied pursuant to the Law.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the 2017 Bonds should assume that the District will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the 2017 Bonds.

The City has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2017 Bonds are outstanding.

No Acceleration Provision

The 2017 Bonds and the Fiscal Agent Agreement do not contain a provision allowing for the acceleration of the principal of the 2017 Bonds in the event of a payment default or other default under the terms of the 2017 Bonds or the Fiscal Agent Agreement or in the event interest on the 2017 Bonds becomes included in gross income for federal income tax purposes.

Taxability Risk

As described under the caption "TAX MATTERS," interest on the 2017 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2017 Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Fiscal Agent Agreement. There is no provision in the 2017 Bonds or the Fiscal Agent Agreement for special redemption or acceleration or for the payment of additional interest should such an event of taxability occur, and the 2017 Bonds will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Fiscal Agent Agreement.

In addition, Congress is or may be considering 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 2017 Bonds. Prospective purchasers of the 2017 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The City can provide no assurance that federal tax law will not change while the 2017 Bonds are outstanding or that any such changes will not adversely affect the exclusion of interest on the 2017 Bonds from gross income for federal income tax purposes. If the exclusion of interest on the 2017 Bonds from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the 2017 Bonds would be adversely impacted.

Enforceability of Remedies

The remedies available to the Fiscal Agent and the registered owners of the 2017 Bonds upon a default under the Fiscal Agent Agreement or any other document described in this Official Statement are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. Any legal opinions to be delivered concurrently with the issuance of the 2017 Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the 2017 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

No Secondary Market

No representation is made concerning any secondary market for the 2017 Bonds. There can be no assurance that any secondary market will develop for the 2017 Bonds. Investors should understand the long-term and economic aspects of an investment in the 2017 Bonds and should assume that they will have to bear the economic risks of their investment to maturity. An investment in the 2017 Bonds may be unsuitable for any investor not able to hold the 2017 Bonds to maturity.

Proposition 218

An initiative measure entitled the “Right to Vote on Taxes Act” (the “**Initiative**”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes otherwise available to the City to pay the principal of and interest on the 2017 Bonds as described below.

Among other things, Section 3 of Article XIII C states, “...the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, the Governor of the State signed a bill into law enacting Government Code Section 5854, which states that:

Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that Article XIII C has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the 2017 Bonds.

It may be possible, however, for voters or the City Council acting as the legislative body of the District to reduce the Special Taxes in a manner that does not interfere with the timely repayment of the 2017 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2017 Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses (as defined in the Fiscal Agent Agreement).

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness

of any remedy afforded by the courts. See “SPECIAL RISK FACTORS – Enforceability of Remedies.”

Ballot Initiatives

Articles XIII C and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process, and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995 in the case of Rossi v. Brown, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2017 Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the 2017 Bonds might be affected as a result of such an audit of the 2017 Bonds (or by an audit of similar bonds).

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the 2017 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 City has covenanted in the Fiscal Agent Agreement to comply with all requirements that must be satisfied in order for the interest on the 2017 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 2017 Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2017 Bonds.

Subject to the City’s compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the 2017 Bonds (i) is excludable from the 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 federal alternative minimum tax for individuals and corporations, but interest on the 2017 Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within 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 Internal Revenue Code of 1986, as amended (the “Code”), includes provisions for an alternative minimum tax (“AMT”) for corporations in addition to the corporate regular tax in certain cases. The AMT, 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 include certain tax-exempt interest, including interest on the 2017 Bonds.

Ownership of the 2017 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 2017 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "**Issue Price**") for each maturity of the 2017 Bonds is the price at which a substantial amount of such maturity of the 2017 Bonds is first sold to the public. The Issue Price of a maturity of the 2017 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 2017 Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the 2017 Bonds (the "**OID 2017 Bonds**") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID 2017 Bond in the initial public offering at the Issue Price for such maturity and who holds such OID 2017 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 2017 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 2017 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 2017 Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID 2017 Bonds.

Owners of 2017 Bonds who dispose of 2017 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2017 Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2017 Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2017 Bond is purchased at any time for a price that is less than the 2017 Bond's stated redemption price at maturity or, in the case of an OID 2017 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 2017 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 2017 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 2017 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 2017 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2017 Bonds.

An investor may purchase a 2017 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 2017 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 2017 Bond. Investors who purchase a 2017 Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2017 Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2017 Bond.

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 2017 Bonds. 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 2017 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 Internal Revenue Service (the “**Service**”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, 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 Service will commence an audit of the 2017 Bonds. If an audit is commenced, under current procedures the Service may treat the Authority as a taxpayer and the 2017 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 2017 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 2017 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2017 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 2017 Bond owner who is notified by the Service 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 2017 Bonds is exempt from California personal income taxes.

Owners of the 2017 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding federal tax consequences arising with respect to the ownership, sale or disposition of the 2017 Bonds, or the amount, accrual or receipt of interest on the 2017 Bonds.

The complete text of the final opinion that Bond Counsel expects to deliver upon issuance of the 2017 Bonds is set forth in Appendix D.

LEGAL MATTERS

Concurrent with the issuance of the 2017 Bonds, Quint & Thimmig LLP, Larkspur, California, Bond Counsel, will render its opinion substantially in the form set forth in Appendix D to this Official Statement. Quint & Thimmig LLP, Larkspur, California, is also acting as Disclosure Counsel to the City with respect to the 2017 Bonds. Certain legal matters will be passed upon for the City and the District by Churchwell White, LLP, Sacramento, California. Certain legal matters related to the 2017 Bonds will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Underwriter's Counsel. Payment of the fees and expenses of Bond Counsel, of Disclosure Counsel, and of Underwriter's Counsel, is contingent on the issuance of the 2017 Bonds.

From time to time Bond Counsel and Disclosure Counsel represents the Underwriter on matters unrelated to the 2017 Bonds.

MUNICIPAL ADVISOR

The City has retained Del Rio Advisors, LLC of Modesto, California, as municipal advisor (the "**Municipal Advisor**") in connection with the offering of the 2017 Bonds. All financial and other information presented in this Official Statement has been provided by the City and others from their records. Unless otherwise footnoted, the Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor has assisted the City with the structure, timing and terms for the sale of the 2017 Bonds. The Municipal Advisor provides municipal advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments. The fee of the Municipal Advisor is contingent upon the successful closing of the 2017 Bonds.

NO RATING

The City has not made, and does not intend to make, any application to any rating agency for the assignment of a rating to the 2017 Bonds.

NO LITIGATION

The City is not aware of any pending or threatened litigation challenging the validity of the 2017 Bonds, the Special Taxes securing the 2017 Bonds, or any action taken by the City in connection with the formation of the District, the Rate and Method, the levying of the Special Taxes or the issuance of the 2017 Bonds.

UNDERWRITING

The 2017 Bonds are being purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter agreed to purchase the 2017 Bonds at a price of \$4,673,846.96 (which is equal to the par amount of the 2017 Bonds, minus a net original issue discount of \$16,840.05, and less an underwriter's discount of \$79,312.99). The initial public

offering prices set forth on the inside cover page may be changed by the Underwriter. The Underwriter may offer and sell the 2017 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof.

CONTINUING DISCLOSURE

The City and the Developer each have agreed for the benefit of the Owners of the 2017 Bonds, in separate Continuing Disclosure Agreements, to provide annually certain financial information and operating data, and to provide notices of the occurrence of certain enumerated events. In addition, the Developer has agreed to provide mid-year reports with certain limited information. See Appendix E – Forms of Continuing Disclosure Agreements.

The covenants of the City in the Continuing Disclosure Agreement to which it is a party have been made by the City in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). While the Underwriter has advised the City that it does not consider the Developer to be an “obligated person” with respect to the 2017 Bonds for purposes of the Rule, and thereby not required by the Rule to provide ongoing information related to its activities with respect to the property it owns in the District, the Developer’s continuing disclosure obligations have been incurred to assist the Underwriter in the marketing of the sale of the 2017 Bonds.

A failure by the City or the Developer to comply with its respective confirming disclosure obligations will not constitute a default under the Fiscal Agent Agreement. However, the Continuing Disclosure Agreements provide that, in the event of a failure of the City or the Developer, as applicable, to comply with any provision of their respective Continuing Disclosure Agreement, any 2017 Bond owner, any Beneficial Owner or the Underwriter may seek specific performance by court order to cause it to comply with its obligations under its respective Continuing Disclosure Agreement.

The Developer’s obligation to provide continuing annual, mid-year and significant event disclosure will terminate if and when the Developer and any of its affiliates own property in the District that is subject to less than twenty percent (20%) of the Special Tax levy for the then current fiscal year.

During the last five fiscal years, the City has complied in all material respects with its obligations under continuing disclosure agreements.

The Developer has advised the City that, to the Actual knowledge of the Developer (defined below), the Developer has not previously failed to comply in all material respects with any previous continuing disclosure obligation in respect of other community facilities district bond issues in California within the last five Fiscal Years. As used in the preceding sentence, the term “Actual Knowledge of the Developer” means the actual (as opposed to constructive) knowledge that the authorized officer or representative of the Developer (the “Authorized Officer”) signing a Certificate of Richmond American Homes of Maryland, Inc. regarding certain disclosures in the Official Statement (the “Certificate”) has as of the date of the Certificate or has obtained from (i) interviews with such current officers and responsible employees of the Developer as the Authorized Officer has determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Certificate, and / or (ii) a review of such documents as the Authorized Officer determined were reasonably necessary to obtain knowledge of the matters set forth in the Certificate. The Authorized Officer has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer’s current business and

operations. The Developer has not contacted individuals who are no longer employed by the Developer.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City or the District and the purchasers or Owners of any of the 2017 Bonds.

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

CITY OF DIXON, CALIFORNIA, for and on
behalf of the CITY OF DIXON COMMUNITY
FACILITIES DISTRICT NO. 2015-1 (VALLEY
GLEN NO. 2)

By: /s/ Jim Lindley
 City Manager,
 City of Dixon, California

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APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF DIXON AND THE COUNTY OF SOLANO

The following information in this Appendix is included only to provide general demographic and economic information regarding the City of Dixon, California (the "City"), and the County of Solano, California (the "County"). As discussed in the text of this Official Statement, the Bonds are not general obligations of the City, but are limited obligations of the City for the District, payable solely from the sources provided therefore in the Fiscal Agent Agreement.

Introduction

The City of Dixon is located in Northern California in the County, 20 miles southwest of Sacramento and 65 miles northeast of San Francisco. The City is a general law city incorporated in 1878. The City, originally developed as the commercial and service center for the surrounding agricultural area and was known as "Dicksonville," after a prosperous rancher named Thomas Dickson donated a portion of land to create a railroad depot. When the first consignment of goods arrived by rail, the address mistakenly read "Dixon" which ultimately became the City's name. According to the United States Census Bureau, the City has a total area of 7.1 square miles (18 km²), of which, 7.0 square miles (18 km²) of it is land and 0.1 square miles (0.26 km²) of it (1.36%) is water.

The City's proximity to Sacramento, Davis and San Francisco affords the community with a wide array of employment opportunities in areas such as government, technology, health care, and manufacturing. In fact, the top employment industries in Dixon are educational services, retail trade, and health care & social assistance.

The City operates under a Council-Manager form of government. The City Council consists of the Mayor and four Council members, elected to serve four-year overlapping terms. The position of Vice Mayor is chosen by the Council Members from the elected Council Members. The Mayor serves as the City Council's presiding officer.

Solano County lies in the northeast section of the nine-county San Francisco Bay Area. It is located approximately 45 miles northeast of San Francisco and 45 miles southwest of Sacramento. The County consists of a total area of 907 square miles. Land area is represented by 829 square miles and water area by 78 square miles. It is bordered by Napa County to the northwest, Yolo County to the northeast, Sacramento County to the east and Solano County to the south. Between Solano and Solano Counties lies Suisun Bay, which is an extension of the San Francisco Bay, and the confluence of the Sacramento and San Joaquin Rivers, which empty into San Pablo Bay through the Carquinez Straits. The western edge of the County consists of low mountains, which are part of the Coast Range.

The County limits residential and commercial development outside of cities, thus preserving almost 85% of the land for open space and agricultural uses. Agriculture and military installations have historically been strong contributors to the County's economy.

Population

The table below summarizes population of the City, the County, and the State of California for the last five years.

CITY OF DIXON, SOLANO COUNTY, and CALIFORNIA Population

Year	City of Dixon	Solano County	State of California
2013	18,360	419,185	38,238,492
2014	18,817	423,283	38,572,211
2015	18,912	427,122	38,915,880
2016	19,065	430,972	39,189,035
2017	19,298	436,023	39,523,613

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-2017, with 2010 Census Benchmark.

Employment

The County is part of the Vallejo Fairfield MSA. The following table summarizes the historical numbers of workers by industry in the Vallejo Fairfield MSA for the last five years:

VALLEJO FAIRFIELD MSA (SOLANO COUNTY) Labor Force and Industry Employment Annual Averages by Industry

	2012	2013	2014	2015	2016 ⁽¹⁾
Total, All Industries	122,700	126,300	129,400	133,900	137,600
Total Farm	1,500	1,700	1,800	1,800	1,800
Mining, Logging, and Construction	8,300	8,800	8,600	9,200	10,400
Manufacturing	10,000	10,200	11,000	11,700	11,800
Wholesale Trade	4,200	4,200	4,400	4,400	4,300
Retail Trade	16,900	17,200	17,500	18,300	18,500
Transportation, Warehousing & Utilities	3,600	3,500	4,000	4,300	4,500
Information	1,100	1,100	1,100	1,100	1,100
Financial Activities	5,000	5,100	4,800	4,900	5,200
Professional & Business Services	9,800	10,300	10,400	10,400	10,100
Educational & Health Services	20,800	22,400	23,100	24,200	25,600
Leisure & Hospitality	13,400	13,700	14,300	14,800	15,000
Other Services	3,900	4,000	4,000	4,100	4,200
Government	24,100	24,000	24,400	24,800	25,200

Source: California Employment Development Department, based on March 2016 benchmark.

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

(1) Last available full year data.

The following table summarizes historical employment and unemployment for the County, the State of California and the United States:

**SOLANO COUNTY, CALIFORNIA, and UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)
2012-2016**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2012	Solano County	217,000	195,200	21,800	10.1%
	California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Solano County	217,900	199,500	18,300	8.4
	California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014	Solano County	204,200	189,100	15,200	7.4
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	Solano County	206,600	194,000	12,600	6.1
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	157,130,000	148,834,000	146,411,000	5.3
2016 ⁽²⁾	Solano County	207,900	196,500	11,400	5.5
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	148,976,000	4.9

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2016, and US Department of Labor.

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

(2) Latest available full-year data.

Major Employers

The following tables lists the top 10 employers within the City and the County as of June 30, 2016.

CITY OF DIXON Top 10 Employers as of June 30, 2016

Employer	Employees	% of Total City Employment
Gymboree, Inc.	364	3.87%
Dixon Unified School District	350	3.72
Wal-Mart	300	3.19
Dixon Canning (Campbell's)	220	2.34
Altec Industries	191	2.03
Cardinal Health	190	2.02
Basalite	160	1.70
Superior Packing	160	1.70
City of Dixon	107	1.14
Gold Star Foods	98	1.04
Total Top 10	2,140	22.75%

Source: City of Dixon 2015-16 CAFR.

SOLANO COUNTY Top 10 Employers as of June 30, 2016

Employer	Employees	% of Total County Employment
Travis AFB	12,875	6.49%
Solano County	3,092	1.56
Kaiser Permanente – Vallejo	2,937	1.48
NorthBay Healthcare System	2,617	1.32
Fairfield-Suisun USD	2,187	1.10
Six Flags Discovery Kingdom	1,932	.97
Vallejo City USD	1,515	.76
Kaiser Permanente – Vacaville	1,218	.61
California Medical Facility	1,216	.61
Genentech Inc.	1,200	.55
Total Top 10	31,887	15.45

Source: Solano County 2015-16 CAFR.

Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

CITY OF DIXON Building Permits and Valuation (Dollars in Thousands)

	2012	2013	2014	2015	2016
<u>Permit Valuation:</u>					
New Single-family	\$ 91	\$ -	\$ 3,017	\$ 10,434	\$ 11,055
New Multi-family	3,711	5,336	-	-	-
Res. Alterations/Additions	961	683	1,073	1,417	1,424
Total Residential	4,764	6,020	4,091	11,851	12,479
Total Nonresidential	5,571	13,531	3,069	3,923	21,233
Total All Building	10,336	19,552	7,160	15,774	33,713
<u>New Dwelling Units:</u>					
Single Family	1	-	23	78	33
Multiple Family	59	59	-	-	-
Total	60	59	23	78	33

SOLANO COUNTY Building Permits and Valuation (Dollars in Thousands)

	2012	2013	2014	2015	2016
<u>Permit Valuation:</u>					
New Single-family	\$ 94,240	\$ 109,649	\$ 170,575	\$ 281,379	\$ 251,088
New Multi-family	3,711	27,083	-	32,110	9,553
Res. Alterations/Additions	75,926	27,713	47,365	41,093	47,072
Total Residential	173,877	164,447	217,940	354,583	307,715
Total Nonresidential	81,522	277,705	174,057	212,362	179,000
Total All Building	255,400	442,152	391,997	566,946	486,715
<u>New Dwelling Units:</u>					
Single Family	470	524	665	1,037	873
Multiple Family	59	281	-	331	63
Total	539	805	665	1,368	936

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

Median Household Income

The following table summarizes the total effective buying income and the median household effective buying income for Dixon, the County, the State of California and the nation for the past five years.

DIXON, SOLANO COUNTY, STATE OF CALIFORNIA AND UNITED STATES Median Household Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2012	Dixon	365,793	53,282
	Solano County	9,385,483	53,444
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	Dixon	380,728	54,233
	Solano County	9,786,833	53,898
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	Dixon	385,575	54,211
	Solano County	9,934,308	54,340
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Dixon	465,665	60,629
	Solano County	10,690,163	57,332
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	Dixon	443,574	56,325
	Solano County	11,370,811	60,401
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043

Source: Nielsen, Inc.

APPENDIX B

CITY OF DIXON COMMUNITY FACILITIES DISTRICT NO. 2015-1 (VALLEY GLEN NO. 2)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) shall be levied and collected according to the tax liability determined by the City or its designee, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in the CFD, unless exempted by law or by the provisions of Section H below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the CFD unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" means each acre of the land area making up an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to the CFD and the Bonds, including, but not limited to, the levy and collection of Special Taxes, the fees and expenses of its legal counsel, costs related to annexing property into the CFD, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Tax, costs associated with appeals or requests for interpretation associated with the Special Tax and this RMA, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements with respect to the Bonds and the Special Tax, costs associated with foreclosure and collection of delinquent Special Taxes and all other costs and expenses of the City and County in any way related to the establishment or administration of the CFD.

"Administrator" means the person or firm designated by the City to administer the Special Tax according to this RMA.

"Assessor's Parcel" or **"Parcel"** means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor designating parcels by Assessor's Parcel number.

"Authorized Facilities" means the public facilities authorized to be financed, in whole or in part, by the Facilities Special Tax proceeds.

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the City pursuant to the authority granted by the CFD under the Act.

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

“CFD” means the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2).

“CFD Formation” means the date on which the Resolution of Formation to form CFD No. 2015-1 was adopted by the City Council.

“City” means the City of Dixon.

“City Council” means the City Council of the City of Dixon, acting as the legislative body of the CFD.

“County” means the County of Solano.

“Developed Property” means, in any Fiscal Year, all Taxable Property for which a building permit for new construction was issued on or before June 30 of the prior Fiscal Year.

“Development Class” means, individually, Developed Property, Final Map Property, and Undeveloped Property.

“Expected Land Uses” means the total number of Residential Units or acres of Other Property that, as of CFD Formation or upon annexation into the CFD, were expected to be developed within the CFD, as identified in Attachments 1 and 2 hereto and, for annexations, as identified in the Unanimous Approval Form. Pursuant to Sections D and E of this RMA, the Administrator shall update Attachments 1 and 2 each time there is a Land Use Change or property is annexed into the CFD.

“Expected Maximum Special Tax Revenue” means the amount that could be collected if the Maximum Special Tax was levied on the Expected Land Uses. The Expected Maximum Special Tax Revenue as of CFD Formation is shown in Attachment 2, and such amount may be adjusted pursuant to Sections D and E of this RMA, or if Parcels within the CFD prepay all or a portion of the Special Tax obligation.

“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 SFD Lots. The term “Final Map” shall not include any large lot subdivision map, Assessor’s Parcel Map, or subdivision map or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

“Final Map Property” means, in any Fiscal Year, all Single Family Detached Property for which a Final Map was recorded prior to June 30 of the preceding Fiscal Year and which has not yet become Developed Property.

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

“Future Annexation Area” means that geographic area that, at the time of CFD Formation, was considered potential annexation area for the CFD and which was, therefore, identified as “future annexation area” on the recorded CFD boundary map. Such designation does not mean that any

or all of the Future Annexation Area will annex into the CFD, but should property designated as Future Annexation Area choose to annex, the annexation may be processed pursuant to the streamlined annexation procedures provided in the Act.

“Indenture” means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Land Use Change” means a proposed or approved change to the Expected Land Uses.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C, D and E below.

“Other Property” means, in any Fiscal Year, all Parcels of Developed Property that are not Single Family Detached Property or Taxable Public Property.

“Proportionately” means, (a) for Developed Property that is not Taxable Public Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property that are not Taxable Public Property, (b) for Final Map Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Final Map Property, (c) for Undeveloped Property, that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Assessor’s Parcels of Undeveloped Property, and (d) for Taxable Public Property, that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Assessor’s Parcels of Taxable Public Property.

“Public Property” means any property within the boundaries of the CFD that is owned by the federal government, State of California, City, or other public agency.

“Required Coverage” means the amount by which the Maximum Special Tax Revenue must exceed the Bond debt service and priority Administrative Expenses (if applicable), as set forth in the Indenture, Certificate of Special Tax Consultant, or other formation or bond document that sets forth the minimum required debt service coverage.

“Residential Unit” means one single-family detached residential unit.

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

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit was or is permitted to be issued for construction of a Residential Unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit was issued or is permitted to be issued for construction of a Residential Unit.

“Special Tax” means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish reserve funds for the Bonds to the extent such replenishment has not been included in the computation of Special Tax Requirement in a previous Fiscal Year; (iii) cure any

delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses; and (v) pay directly for Authorized Facilities so long as the direct payment for Authorized Facilities does not increase the Special Taxes on Undeveloped Property. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of the CFD that are not exempt from the Special Tax pursuant to law or Section H below.

“Taxable Public Property” means any property within the CFD that, based on reference to Attachment 1, was expected to be Single Family Detached Property and instead becomes Public Property. Notwithstanding the foregoing, if the Administrator determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that was expected to be Public Property is rezoned and, based on this rezoning, is subject to the levy of the Special Tax, that Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that there is no loss in Expected Maximum Special Tax Revenue from granting such exemption.

“Unanimous Approval Form” means that form executed by the record owner of fee title to a Parcel or Parcels included within the Future Annexation Area and annexed into the CFD, which form constitutes the property owner’s approval and unanimous vote in favor of annexing the property into the CFD and authorizing the levy of the Special Tax against his/her Parcel or Parcels pursuant to this RMA.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not yet Developed Property or Final Map Property.

B. DATA FOR ANNUAL ADMINISTRATION

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Parcels of Taxable Property. The Administrator shall also determine: (i) whether each Assessor’s Parcel of Taxable Property is Developed Property, Final Map Property, or Undeveloped Property, (ii) for Developed Property, which Parcels are Single Family Detached Property, Other Property, or Taxable Public Property, and (iii) the Special Tax Requirement.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in the CFD was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly-created parcels is in a different Development Class than other parcels created by the subdivision, the Administrator shall calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to the property within each Development Class, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

In addition, the Administrator shall, *on an ongoing basis*, monitor whether Land Use Changes have been proposed that will affect the Expected Land Uses and whether Final Maps that have been proposed for approval by the City Council are consistent with the Expected Land Uses. If changes

to the Expected Land Uses are proposed, the Administrator shall apply the steps set forth in Section D below.

C. MAXIMUM SPECIAL TAX

1. *Developed Property*

Table 1 below identifies the Maximum Special Tax for Parcels of Developed Property, subject to potential adjustments that may occur pursuant to Section D below.

**TABLE 1
MAXIMUM SPECIAL TAX FOR DEVELOPED PROPERTY**

Type of Property	Maximum Special Tax Fiscal Year 2015-16 *
<u>Single Family Detached Property:</u> SFD Lots \geq 10,000 square feet SFD Lots \geq 7,000 and $<$ 10,000 square feet SFD Lots $<$ 7,000 square feet	\$2,500 per Residential Unit \$2,325 per Residential Unit \$2,150 per Residential Unit
Other Property	\$16,715 per Acre
Taxable Public Property	\$16,715 per Acre

* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

2. *Final Map Property*

Table 2 below identifies the Maximum Special Tax for Parcels of Final Map Property, subject to potential adjustments that may occur pursuant to Section D below.

**TABLE 2
MAXIMUM SPECIAL TAX FOR FINAL MAP PROPERTY**

SFD Lot Size	Maximum Special Tax Fiscal Year 2015-16 *
SFD Lots \geq 10,000 square feet SFD Lots \geq 7,000 and $<$ 10,000 square feet SFD Lots $<$ 5,000 square feet	\$2,500 per SFD Lot \$2,325 per SFD Lot \$2,150 per SFD Lot

* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 2 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

3. *Undeveloped Property*

The Maximum Special Tax for Undeveloped Property is \$16,715 per Acre for Fiscal Year 2015-16 and shall, on July 1, 2016 and on each July 1 thereafter, increase by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

The Expected Maximum Special Tax Revenue was calculated based on the Expected Land Uses at CFD Formation; both the Expected Maximum Special Tax Revenue and Expected Land Uses shall be adjusted upon each annexation of property into the CFD, as set forth in Section E below. The Administrator shall review Final Maps, tentative map revisions, and other approvals and land use changes and compare the revised land uses to the Expected Land Uses to evaluate the impact on the Expected Maximum Special Tax Revenue.

If, at any point in time, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Special Tax Revenue, but such reduction does not reduce debt service coverage on outstanding Bonds below the Required Coverage, no action will be needed pursuant to this Section D. Upon approval of the Land Use Change, the Administrator shall update Attachment 2 to show the reduced Expected Maximum Special Tax Revenue, which amount shall be used to size any subsequent Bond issues.

If a Land Use Change is proposed that will result in a reduction in the Expected Maximum Special Tax Revenue that would reduce debt service coverage on outstanding Bonds below the Required Coverage, the following steps shall be applied:

- Step 1:** By reference to Attachment 2 (which will be updated by the Administrator each time a Land Use Change has been processed according to this Section D), the Administrator shall identify the existing Expected Maximum Special Tax Revenue.
- Step 2:** The Administrator shall calculate the Maximum Special Tax Revenue that could be collected from Taxable Property if the Land Use Change is approved.
- Step 3:** Unless the landowner requesting the Land Use Change prepays a portion of the Expected Maximum Special Tax Revenue in an amount that corresponds to the reduction in revenue that would occur due to the Land Use Change, then the Maximum Special Tax for each Parcel of Taxable Property in the area affected by the Land Use Change shall be increased proportionately until the existing Expected Maximum Special Tax Revenue (prior to the Land Use Change) is maintained.

If multiple Land Use Changes are proposed simultaneously by a single land owner (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use Changes to determine if there is a reduction in Expected Maximum Special Tax Revenue. If there is a reduction, the Administrator shall increase the Maximum Special Tax proportionately on Parcels in all of the Final Maps being proposed by the landowner until the aggregate amount that can be levied within the Final Maps is equal to the amount that could have been levied prior to the proposed Land Use Changes. If Land Use Changes are proposed simultaneously by multiple landowners, the Administrator shall consider the proposed Land Use Changes individually.

The duties imposed on the Administrator pursuant to this Section D to review Land Use Changes, and to review Final Maps and make certain calculations, are intended only to facilitate the administration of the Special Tax and to better assure the sufficiency of tax capacity to pay debt service on Bonds. Such duties are not intended to give any developer, subdivider or owner of property any right to receive notice of the potential impact of a Land Use Change on the Special Tax applicable to a Parcel, and each developer, subdivider or owner of property whose property is the subject of a Land Use Change shall be responsible for understanding the impact thereof on the Special Tax applicable to such property.

E. ANNEXATIONS

If, in any Fiscal Year, a property owner within the Future Annexation Area wants to annex property into the CFD, the Administrator shall apply the following steps as part of the annexation proceedings:

- Step 1:** Working with City staff and the landowner, the Administrator shall determine the Maximum Special Tax that will apply to Single Family Detached Property and Other Property within the area to be annexed. Once determined, the Maximum Special Taxes for the annexing area shall be identified in the Unanimous Approval Form which will be signed by the property owner as part of the annexation process.
- Step 2:** The Administrator shall ensure that a Notice of Special Tax Lien is recorded against all Parcels that are annexed to the CFD.
- Step 3:** The Administrator shall prepare and keep on file an updated Attachment 2 that adds the annexed property and identifies the Expected Land Uses and revised Expected Maximum Special Tax Revenue for the CFD. After the annexation is complete, the application of Sections D, F and I of this RMA shall be based on the adjusted Expected Land Uses and Expected Maximum Special Tax Revenue including the newly annexed property.
- Step 4:** The Administrator shall recalculate the Public Facilities Requirement used in the prepayment calculation in Section I below to include the estimated net proceeds that can be generated to fund Authorized Facilities based on the Maximum Special Tax capacity from the annexed area. The adjusted Public Facilities Requirement shall be calculated by (i) dividing the increased Expected Maximum Special Tax Revenue that can be collected after the annexation by the Expected Maximum Special Tax Revenue that was in place prior to the annexation, and (ii) multiplying the quotient by the Public Facilities Requirement that was in place prior to the annexation.

F. METHOD OF LEVY OF THE SPECIAL TAX

The Administrator shall determine the Special Tax Requirement to be collected each Fiscal Year, and the Special Tax shall be levied according to the steps outlined below.

- Step 1:** The Special Tax shall be levied Proportionately on each Parcel of Developed Property within the CFD, not including Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year until the amount levied on Developed Property that is not Taxable Public Property is equal to the Special Tax Requirement prior to applying any Capitalized Interest that is available in the CFD accounts.

- Step 2:** If additional revenue is needed after Step 1, and after applying Capitalized Interest to the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Final Map Property within the CFD, up to 100% of the Maximum Special Tax for each Parcel of Final Map Property for such Fiscal Year.
- Step 3:** If additional revenue is needed after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for each Parcel of Undeveloped Property for such Fiscal Year.
- Step 4:** If additional revenue is needed after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, exclusive of property exempt from the Special Tax pursuant to Section H below, up to 100% of the Maximum Special Tax for each Parcel of Taxable Public Property for such Fiscal Year.

G. COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section I below and provided further that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2055-56. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

H. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement, and (v) Parcels that have fully prepaid the Special Tax obligation, as determined pursuant to the formula set forth in Section I below. Notwithstanding the foregoing, if a Parcel has been Taxable Property in prior Fiscal Year, and the entire Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation. If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of the Special Tax.

I. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section I:

“Construction Fund” means the account (regardless of its name) identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct Authorized Facilities.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, a Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued on behalf of the CFD prior to the date of prepayment.

“Public Facilities Requirement” means either (i) \$3,005,000 in 2015 dollars, which shall increase on January 1, 2016, and on each January 1 thereafter, by two percent (2%) of the amount in effect in the prior year, or (ii) such other number as shall be determined by the Administrator to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of the CFD, and from the increased Expected Maximum Special Tax Revenue that may be added from future annexations, as set forth in Section E above.

“Remaining Facilities Costs” means the Public Facilities Requirement minus the cost of Authorized Facilities that have been funded by Previously Issued Bonds and Special Tax revenues.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in the CFD may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the Administrator or its designee shall notify such owner of the prepayment amount for such Assessor’s Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount shall be calculated as follows: (capitalized terms as defined below):

	Bond Redemption Amount
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1.** Compute the total Maximum Special Tax that could be collected from the Parcel based on the Expected Land Uses for the Parcel at the time the prepayment is calculated.
- Step 2.** Divide the Maximum Special Tax from Step 1 by the then-current Expected Maximum Special Tax Revenue for the CFD.
- Step 3.** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4.** Compute the current Remaining Facilities Costs (if any).
- Step 5.** Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (*the "Remaining Facilities Amount"*).
- Step 6.** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 7.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds, which, depending on the Bond offering document, may be as early as the next interest payment date.
- Step 8.** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9.** Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (*the "Defeasance Requirement"*).
- Step 10.** Determine the costs of computing the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (*the "Administrative Fees and Expenses"*).
- Step 11.** If and to the extent so provided in the indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (*the "Reserve Fund Credit"*).
- Step 12.** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (*the "Prepayment Amount"*).

- Step 13.** From the Prepayment Amount, the amounts computed pursuant to Steps 3, 6, and 9 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Step 5 shall be deposited into the Construction Fund. The amount computed pursuant to Step 10 shall be retained in the account or fund that is established to pay Administrative Expenses.

Once a full prepayment of a Parcel's Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel's obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. *Partial Prepayment*

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 10 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

- Step 1.** Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section I.1 above.
- Step 2.** Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.
- Step 3.** Subtract the percentage computed in Step 2 from 100% to determine the "Remaining Percentage."
- Step 4.** Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

When a partial prepayment is received, the proceeds shall be deposited as follows:

- The amount computed pursuant to Step 10 in Section I.1 shall be deposited into the account or fund that is established to pay Administrative Expenses
- The sum of the amounts computed pursuant to Steps 3, 6, and 9 in Section I.1 shall be multiplied by the percentage determined in Step 2 of this Section I.2, and the product shall be the amount deposited into the appropriate fund established under the Indenture to be used to retire Outstanding Bonds or make debt service payments.
- The amount computed pursuant to Step 5 in Section I.1 shall be multiplied by the percentage determined in Step 2 of this Section I.2, and the product shall be the amount deposited into the Construction Fund.

Once a partial prepayment has been received, an Amendment to Special Tax Lien shall be recorded against the Parcel. However, an Amendment to Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

J. INTERPRETATION OF SPECIAL TAX FORMULA

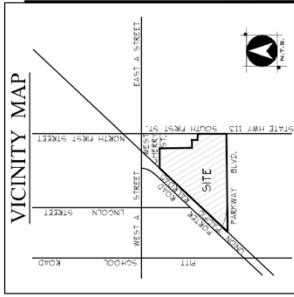
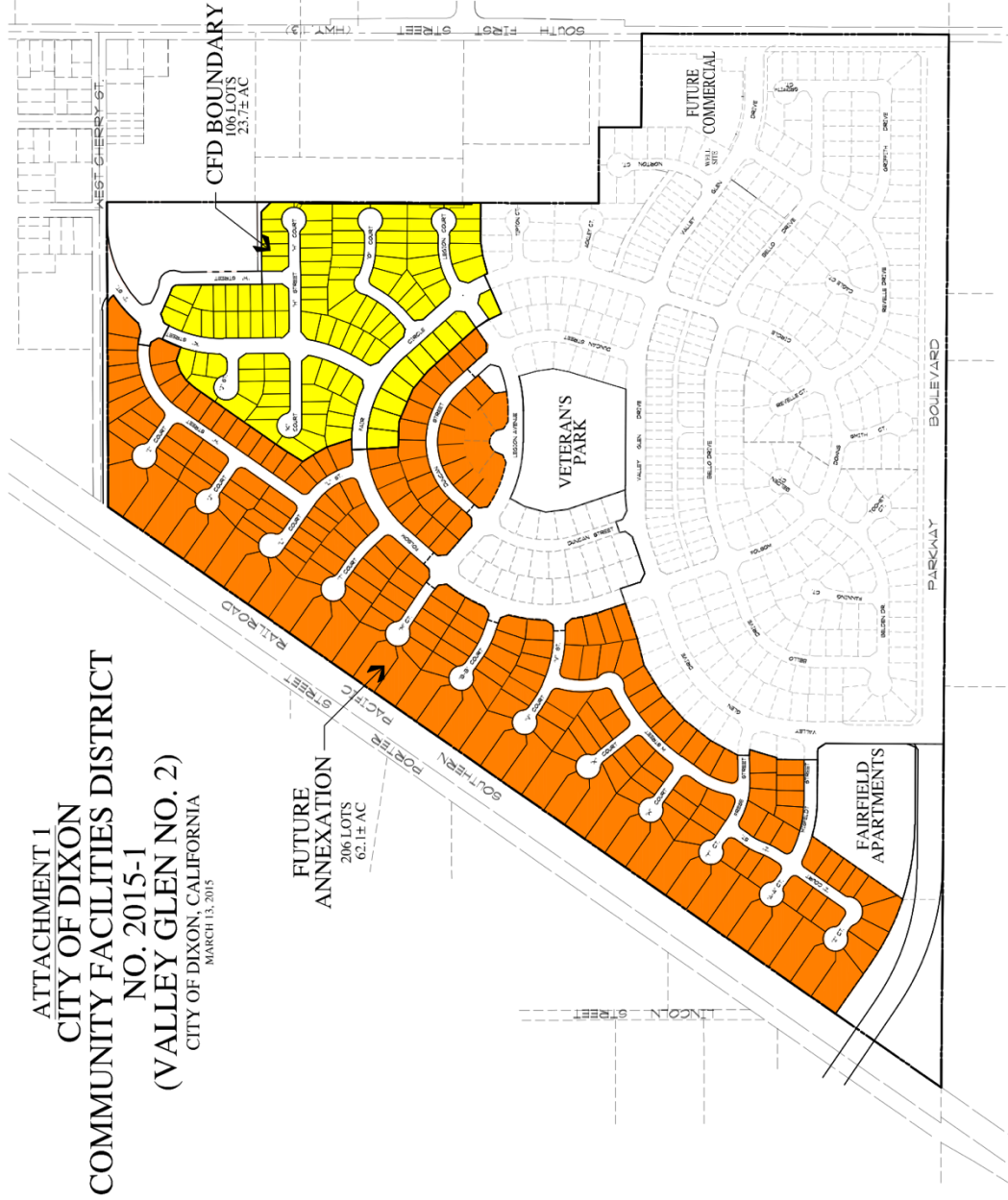
The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, that does not create a material adverse effect on the levy and collection of the Special Taxes and any security for any Bonds.

ATTACHMENT 1

City of Dixon
Community Facilities District No. 2015-1
(Valley Glen No. 2)

Identification of Expected Land Uses in
Initial CFD Boundaries and Future Annexation Area

ATTACHMENT 1
 CITY OF DIXON
 COMMUNITY FACILITIES DISTRICT
 NO. 2015-1
 (VALLEY GLEN NO. 2)
 CITY OF DIXON, CALIFORNIA
 MARCH 13, 2015



LOTS AND ACREAGE

CFD BOUNDARY	106 DU	23.7±AC
FUTURE ANNEXATION	210 DU	62.1±AC
TOTAL	316 DU	85.8±AC

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 Sacramento, CA 95818 Fax: 916.341.7767



VALLEY GLEN: ATTACHMENT 1

ATTACHMENT 2

City of Dixon
 Community Facilities District No. 2015-1
 (Valley Glen No. 2)

Expected Land Uses and Expected
 Maximum Special Tax Revenue

Land Use	Expected Units/Acres	Estimated Maximum Special Tax (FY 2015-16) *	Expected Maximum Special Tax Revenue (FY 2015-16) *
SFD Lots, ≥10,000 sqft	2 Residential Units	\$2,500 per Residential Unit	\$5,000
SFD Lots, ≥7,000 sqft and <10,000 sqft	42 Residential Units	\$2,325 per Residential Unit	\$97,650
SFD Lots, < 7,000 sqft	62 Residential Units	\$2,150 per Residential Unit	\$133,300
Other Property	0 Acres	\$16,715 per Acre	\$0
Total	106 Units/ 0 Acres	N/A	\$235,950

* On July 1, 2016 and each July 1 thereafter, the Estimated Maximum Special Tax and the Expected Maximum Special Tax Revenue shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

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APPENDIX C

SUMMARY OF THE FISCAL AGENT AGREEMENT

The following is a summary of certain provisions of the Fiscal Agent Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the complete terms and provisions of the Fiscal Agent Agreement, to which reference is hereby made.

Certain Definitions

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 *et seq.* of the California Government Code.

“Administrative Expenses” means costs directly related to the administration of the CFD consisting of: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; fees and costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under the Fiscal Agent Agreement; the costs of the City or its designee of complying with the disclosure provisions of the Act, other applicable State laws and the Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; the costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; all costs and expenses of the City and the County in any way related to the administration of the CFD; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption of interest on the Bonds, and the costs of prosecuting foreclosure of delinquent Special Taxes. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid.

“Administrative Expense Fund” means the fund designated the “City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Administrative Expense Fund” established and administered under the Fiscal Agent Agreement.

“Agreement” means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions of the Fiscal Agent Agreement.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of any mandatory sinking payments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

“Auditor” means the auditor/controller of the County, or such other official at the County who is responsible for preparing property tax bills.

“Authorized Officer” means the City Manager, the Finance Director, the City Clerk, or any other officer or employee authorized by the City Council of the City or by an

Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means Quint & Thimmig LLP or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond” or “Bonds” means the 2017 Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

“Bond Fund” means the fund designated the “City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Special Tax Bonds, Bond Fund” established and administered under the Fiscal Agent Agreement.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2017.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

“Capitalized Interest Account” means the account by that name held by the Fiscal Agent and established and administered under the Fiscal Agent Agreement.

“CDIAC” means the California Debt and Investment Advisory Commission of the Office of the State Treasurer, or any successor agency, board or commission.

“CFD” means the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) formed under the Resolution of Formation.

“CFD 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 any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity 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 Bonds by an MAI appraiser (the “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 Finance Director. It is expressly acknowledged that, in determining the CFD Value, the City may rely on an appraisal to determine the value of some or all of the parcels in the CFD 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 Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

“City” means the City of Dixon, California and any successor thereto.

“City Attorney” means any attorney or firm of attorneys employed by the City in the capacity of general counsel to the City.

“Closing Date” means the date upon which there is a physical delivery of the 2017 Bonds in exchange for the amount representing the purchase price of the 2017 Bonds by the Original Purchaser.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Agreement executed by the City and the dissemination agent identified therein, dated as of August 1, 2017, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the 2017 Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, expenses incurred by the City in connection with the issuance of the 2017 Bonds, Bond (underwriter’s) discount, legal fees and charges, including bond counsel and disclosure counsel, municipal advisor’s fees, charges for execution, authentication, transportation and safekeeping of the 2017 Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund designated the “City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Special Tax Bonds, Costs of Issuance Fund” established and administered under the Agreement.

“Council” means the City Council of the City, acting in its capacity as the legislative body of the CFD.

“County” means the County of Solano, California.

“Dated Date” means the dated date of the 2017 Bonds, which is the Closing Date.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2017 Bonds and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository for book-entry under the Fiscal Agent Agreement.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Fair Market Value” means with respect to Permitted Investments, the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above)

if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest if the return paid by such fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Finance Director” means the official of the City, or such official's designee, who acts in the capacity as the chief financial officer of the City, including the Deputy City Manager - Administrative Services of the City.

“Fiscal Agent” means MUFG Union Bank, N.A., the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers provided in the Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Fund” means the fund designated “City of Dixon, Community Facilities District No. 2015-1 (Valley Glen No. 2), Special Tax Bonds, Improvement Fund,” established under the Fiscal Agent Agreement.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom: (i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the CFD, or any real property in the CFD; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Information Services” means (i) the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website and (ii) in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Interest Payment Date” means each March 1 and September 1 of every calendar year, commencing with March 1, 2018.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the City Council of the City levying the Special Taxes, including but not limited to Ordinance 15-007 adopted by the Council on May 12, 2015.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated, the first purchaser of the 2017 Bonds from the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the provisions of the Fiscal Agent Agreement relating to discharge of the Bonds; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under the Fiscal Agent Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means additional bonds issued by the City for the CFD and payable on a parity with any then Outstanding Bonds pursuant to the Fiscal Agent Agreement.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of Five Hundred Million (\$500,000,000), which obligations are rated A or better by any Rating Agency;

(h) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency, provided that any such money market fund does not have a floating net asset value;

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A;

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California; and

(k) any other investment in which the City may invest its funds under applicable State law.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, or such other office designated by the Fiscal Agent from time to time; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

“Priority Administrative Expenses Amount” means (i) for Fiscal Year 2017-18, the amount of \$20,000 and (ii) for each succeeding Fiscal Year, the sum of (A) the Priority Administrative Expenses Amount for the preceding Fiscal Year plus (B) 2% of the Priority Administrative Expenses Amount for the preceding Fiscal Year. Notwithstanding the foregoing, the “Priority Administrative Expenses Amount” is subject to increase each time that any Parity Bonds are issued, at the discretion of the City and as set forth in the Supplemental Agreement pursuant to which the Parity Bonds are issued, so long as the Priority Administrative

Expenses Amount, following such increase, is not greater in any Fiscal Year than 10% of the debt service due on the Bonds in each such respective Fiscal Year.

“Project” means those items described as the “Facilities” in the Resolution of Formation.

“Rate and Method” means the Rate and Method of Apportionment of Special Taxes for the CFD, as approved by the Resolution of Formation, and as it subsequently may be amended in compliance with the provisions of the Fiscal Agent Agreement and the Act.

“Rating Agency” means any nationally recognized rating agency.

“Record Date” means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

“Refunding Bonds” means 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 (i) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds is less than the total interest cost to maturity on the Bonds to be refunded plus the principal amount of the Bonds to be refunded and (ii) the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Reserve Fund” means the fund designated the “City of Dixon, Community Facilities District No. 2015-1 (Valley Glen No. 2), Special Tax Bonds, Reserve Fund” established and administered under the Fiscal Agent Agreement.

“Reserve Requirement” means, as of the Closing Date and until the earlier of the final maturity date of the Bonds or the date of issuance of the first series of any Parity Bonds, an amount equal to (a) the least of (i) Maximum Annual Debt Service on the 2017 Bonds, (ii) 125% of average Annual Debt Service on the 2017 Bonds and (iii) 10% of the original principal amount of the 2017 Bonds, less (b) any amount transferred from the Reserve Fund to the Bond Fund pursuant to the Fiscal Agent Agreement. The Reserve Requirement shall be recalculated on the date of issuance of each series of Parity Bonds, to remain in effect from such date of issuance of the respective series of Parity Bonds to the earlier of the final maturity of the Bonds (taking into account the final maturity of the Parity Bonds being issued) or the date of issuance of the next subsequent issuance of Parity Bonds (if any), and shall be an amount equal to (a) the then least of (i) the then Maximum Annual Debt Service on the Bonds (taking into account the Parity Bonds to be issued), (ii) 125% of average Annual Debt Service on the Bonds (taking into account the Parity Bonds to be issued), and (iii) the sum of original principal amount of the 2017 Bonds, the principal amount of the Parity Bonds being issued and the principal amount of any Parity Bonds theretofore issued, less (b) any amount thereafter transferred from the Reserve Fund to the Bond Fund pursuant to the Fiscal Agent Agreement.

“Resolution” or “Resolution of Issuance” means Resolution No. 17-111 adopted by the Council on July 25, 2017, authorizing the issuance of the 2017 Bonds.

“Resolution of Formation” means Resolution No. 15-052 adopted by the Council on April 28, 2015, forming the CFD.

“Securities Depositories” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Tax Consultant” means an independent financial or tax consultant retained by the City to assist in the levy and administration of the Special Taxes.

“Special Tax Fund” means the special fund designated “City of Dixon, Community Facilities District No. 2015-1 (Valley Glen No. 2), Special Tax Fund” established and administered under the Fiscal Agent Agreement.

“Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name established within the Bond Fund by the Fiscal Agent Agreement.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon 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 thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

“Special Taxes” means the Special Tax (as defined in the Rate and Method) levied by the City Council within the CFD under the Act, the Ordinance and the Fiscal Agent Agreement

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Tax Consultant” means an independent financial or tax consultant retained by the City for the purpose of computing the Special Taxes.

“Term Bonds” means the 2017 Bonds maturing on September 1, 2047.

“2017 Bonds” means the Bonds so designated and authorized to be issued under the Fiscal Agent Agreement.

“Undeveloped Property” means the property in the CFD subject to the levy of the Special Taxes that is classified as Undeveloped Property pursuant to the Rate and Method.

“Undeveloped Property 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 Undeveloped Property 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 any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to the Undeveloped Property by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the "Appraiser") selected by the City, or (ii) in the alternative, the assessed value of all such Undeveloped Property as shown on the then current County real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Undeveloped Property Value, the City may rely on an appraisal to determine the value of some or all of the parcels in the CFD and/or the most recent County real property tax roll as to the value of some or all of the Undeveloped Property in the CFD. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

Certain Provisions Relating to the Bonds

Interest. The 2017 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2017 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a 2017 Bond, interest is in default thereon, such 2017 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The interest, principal of and any premium on the Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and issue a certificate of destruction of such Bonds to the City.

Transfer or Exchange of Bonds Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of the Fiscal Agent Agreement by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such

transfer or exchange shall be paid by the City from amounts in the Administrative Expense Fund. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

Bond Register. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as provided in the Fiscal Agent Agreement. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

Certain Provisions Relating to Security for the Bonds

Pledge of Special Tax Revenues. The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent in the Fiscal Agent Agreement) of all of the Special Tax Revenues (other than the Special Tax Revenues to be deposited into the Administrative Expense Fund pursuant to clause (i) of the second paragraph of Section 4.05(A) of the Fiscal Agent Agreement) and all moneys deposited in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account) and the Reserve Fund, and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues (other than the Special Tax Revenues to be deposited into the Administrative Expense Fund pursuant to clause (i) of the second paragraph of Section 4.05(A) of the Fiscal Agent Agreement) and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are by the Fiscal Agent Agreement dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the provisions of the Fiscal Agent Agreement relating to discharge of the Bonds.

Amounts in the Improvement Fund, the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

Limited Obligation. All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues (other than the Special Tax Revenues to be deposited into the Administrative Expense Fund pursuant to clause (i) of the second paragraph of Section 4.05(A) of the Fiscal Agent Agreement) and the funds pledged therefore under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except with

respect to the levy of the Special Taxes in the District) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

No Acceleration. The principal of the Bonds is not subject to acceleration.

Parity Bonds. In addition to the 2017 Bonds, the City may issue Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds under the Fiscal Agent Agreement and shall be secured by a lien on the Special Tax Revenues (other than the Special Tax Revenues to be deposited into the Administrative Expense Fund pursuant to the Fiscal Agent Agreement and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The City may issue such Parity Bonds subject to the following specific conditions precedent:

(A) Compliance. The City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the CFD's limitation on debt (as defined in the Act).

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

(C) Separate Funds; Reserve Fund Deposit. The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts. Proceeds of the Parity Bonds shall be deposited into to the Reserve Fund in the amount that shall cause the balance in the Reserve Fund to be equal to the Reserve Requirement for the Bonds as of the date of issuance of the Parity Bonds.

(D) Value. The CFD Value shall be at least three (3) 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 CFD 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 CFD (the "Other District Bonds") equal to the aggregate outstanding 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 CFD, 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.

In addition to the foregoing, the Undeveloped Property Value shall be at least two and one-half (2 1/2) times an amount equal to the sum of (i) the proportionate share of the amounts described in clauses (i) and (ii) of the preceding paragraph determined by

multiplying the aggregate of the amounts described in said clauses (i) and (ii) by the following fraction: the amount of Special Taxes to be levied on Undeveloped Property in the Fiscal Year following the then current Fiscal Year (without regard to any capitalized interest for any Parity Bonds), divided by the total amount of Special Taxes to be levied on property in the CFD in the Fiscal Year following the then Fiscal Year, as such levy amounts are determined by a Tax Consultant; plus (ii) the aggregate principal amount of any fixed assessment liens on the Undeveloped Property, plus (iii) a portion of the aggregate principal amount of any Other District Bonds (as defined in clause (iv) of the preceding paragraph) equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied to be levied for the Other District Bonds in the next Fiscal Year on the Undeveloped Property, and the denominator of which is the total amount of special taxes to be levied in the next Fiscal Year for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds, as such levy amounts are determined by a Tax Consultant.

(E) Coverage. For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement less the Priority Administrative Expense Amount for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds.

(F) Certificates. The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in paragraphs (A), (B), (C), (D), and (E) above have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of paragraphs (D) or (E) above, and, in connection therewith, the Officer's Certificate in paragraph (F) above need not make reference to paragraphs (D) and (E).

Nothing in the Fiscal Agent Agreement prohibits the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agreement.

Certain Funds and Accounts

Reserve Fund.

Establishment of Fund. The Reserve Fund is established under the Indenture as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required thereunder, which deposit, as of the Closing Date, is equal to the initial Reserve Requirement with respect to the 2017 Bonds, and deposits shall be made as described in paragraph (c) of the section entitled "Parity Bonds" above and paragraphs and (b) of the section entitled "Special Tax Fund." Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Use of Reserve Fund. Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds. Except as otherwise provided in the provisions of the Fiscal Agent Agreement relating to the Reserve Fund, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of the Fiscal Agent Agreement relating to the Reserve Fund, for the purpose of redeeming Bonds from the Bond Fund. Whenever a transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Transfer of Excess of Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund, to be used to pay interest on the Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Amounts in the Reserve Fund shall be withdrawn and remitted to the City or its designee for purposes of making rebate payments to the federal government, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however,* that no amounts in the Reserve Fund shall be used for rebate unless the amount in the Reserve Fund following such withdrawal equals the Reserve Requirement.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

No amounts shall be transferred from the Reserve Fund until after: (i) the calculation of any rebate amounts due to the federal government and withdrawal of any such amount for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the then-Outstanding principal of the Bonds, but in any event not in excess of the amount then on deposit in the Reserve Fund) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

Bond Fund.

Establishment of Bond Fund. The Bond Fund is established pursuant to the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

Within the Bond Fund there is established a separate account designated as the "Capitalized Interest Account" to be held by the Fiscal Agent for the benefit of the Owners of the 2017 Bonds into which shall be deposited the amount specified in the Fiscal Agent Agreement. Amounts on deposit in the Capitalized Interest Account shall be withdrawn by the Fiscal Agent and transferred to the Bond Fund on the third Business Day prior to each Interest Payment Date to be used to pay a portion of the interest due on the Bonds, in an amount equal to the difference between the amount transferred on each such date pursuant to the Fiscal Agent Agreement and the debt service due on the Bonds on such respective Interest Payment Date; provided, however, no such transfer shall exceed the amount then on deposit in the Capitalized Interest Account, and any amount on deposit in the Capitalized Interest Account on the third Business Day prior to March 1, 2020 shall be transferred to the Bond Fund and shall be used to pay a portion of the interest due on the Bonds on such date. When the amount in the Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

There is also hereby created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the Special Tax Prepayments Account, to the credit of which deposits shall be made as provided in the Fiscal Agent Agreement.

Disbursements. At least ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer pursuant to the Fiscal Agent Agreement shall be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least three (3) Business Days prior to each Interest Payment Date, and following the transfers in respect of the Interest Payment Date (i) from the Special Tax Fund and (ii) from the Capitalized Interest Account, each pursuant to the Fiscal Agent Agreement, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall withdraw from the Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments. Each such payment shall be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, if there are insufficient funds to make the corresponding payment for all of the then Outstanding bonds. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Any failure by the Fiscal Agent to provide the notices required by the Fiscal Agent Agreement shall not alter the obligation of the City to make the scheduled payments from amounts in the Bond Fund.

Disbursements from the Special Tax Prepayments Account. Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given, under the Fiscal Agent Agreement, and shall be used (together with any amounts transferred from the Reserve Fund to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Deficiency. If at any time there is a deficiency in the Bond Fund and the Fiscal Agent is unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Rate and Method) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Excess. Any excess moneys remaining in the Bond Fund (not including moneys in the Capitalized Interest Account), following the payment of Debt Service on the Bonds on any September 1, shall be transferred to the Special Tax Fund.

Special Tax Fund.

Establishment of Special Tax Fund. The Special Tax Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent shall deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City shall promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

(A) Special Tax Revenues in an amount not to exceed the lesser of (a) the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses and the Priority Administrative Expenses Amount for such Fiscal Year shall be separately identified by the Finance Director and shall be deposited by the Finance Director in the Administrative Expense Fund;

(B) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, for transfer to the Reserve Fund to the

extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement; and third, to be held in the Special Tax Fund for use as described in the Fiscal Agent Agreement; and

(C) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited or transferred by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment that is to pay directly for costs of the Project shall be deposited by the Fiscal Agent to the Improvement Fund so long as the Improvement Fund has not theretofore been closed pursuant to the Fiscal Agent Agreement, and if the Improvement Fund has been closed, then such amount shall be retained by the City to be used to pay Project costs, and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant under the Fiscal Agent Agreement.

Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the City and Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On the third Business Day prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Reserve Fund, and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in the Fiscal Agent Agreement, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement; provided, however that the amounts to be so transferred shall not exceed the amount then on deposit in the Special Tax Fund (it being acknowledged that the foregoing transfers in respect of the Interest Payment Dates occurring on and prior to September 1, 2018 may not be sufficient to fully satisfy the amounts to be transferred pursuant to the foregoing clauses (i) and (ii)).

Each calendar year, following the transfers pursuant to the preceding paragraph for the March 1 Interest Payment Date occurring in such calendar year, when amounts (including investment earnings) have been accumulated in the Special Tax Fund sufficient to make the full amount of the transfers pursuant to clauses (i) and (ii) of the preceding paragraph for the September 1 Interest Payment Date occurring in such calendar year, the Finance Director, during the period up to but not including December 10 of such calendar year, may in his or her sole discretion direct the disposition of moneys in the Special Tax Fund in excess of the amounts needed for such September 1 Interest Payment Date as follows: (i) direct the Fiscal Agent to transfer money to the Improvement Fund for payment or reimbursement of the costs of the Project and (ii) direct to the Fiscal Agent to transfer money to the City for deposit by the City in the Administrative Expense Fund, in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year, after deducting the amount deposited in the Administrative Expense Fund pursuant to the Fiscal Agent Agreement.

Administrative Expense Fund.

Establishment of Administrative Expense Fund. The Administrative Expense Fund is established as a separate fund to be held by the Finance Director for the benefit of the City, to the credit of which deposits shall be made as required by the Agreement. Moneys in the Administrative Expense Fund shall be held by the Finance Director for the benefit of the City, and shall be disbursed as provided below.

Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Finance Director and either (i) paid to an entity upon the receipt by the Finance Director of an invoice in respect of an Administrative Expense or a Cost of Issuance (without the need for any Officer's Certificate referenced in the following clause (ii)), or (ii) paid to the City or its order upon receipt by the Finance Director of an Officer's Certificate, in substantially the form of Exhibit D to the Fiscal Agent Agreement, stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance and the nature of such Administrative Expense or such Cost of Issuance. Amounts deposited to the Administrative Expense Fund from the Improvement Fund pursuant to the Fiscal Agent Agreement (if applicable) shall be separately identified at all times, and shall be expended for purposes of the Administrative Expense Fund prior to the use of amounts transferred to the Administrative Expense Fund from the Special Tax Fund pursuant to the Fiscal Agent Agreement.

Improvement Fund.

Establishment of Improvement Fund. The Improvement Fund is established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be disbursed, except as otherwise provided below, for the payment or reimbursement of the costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form attached to the Agreement which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

Closing of Fund. Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the Improvement Fund shall be closed.

Certain Covenants

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

Processing. On or about each June 1, the Finance Director shall work with the Special Tax Consultant to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year, and shall obtain from the Fiscal Agent the then amount on deposit in the Bond Fund (including any amount in the Capitalized Interest Account) and in the Reserve Fund.

Levy. The Finance Director, working with the Special Tax Consultant, shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the 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 Finance Director shall prepare or cause to be prepared, and shall 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.

Computation. The Finance Director shall fix and levy the amount of Special Taxes within the CFD required for the timely payment of principal of and interest on any outstanding Bonds of the CFD becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses (taking into account any balance of funds in the Administrative Expense Fund not committed to the payment of Administrative Expenses or otherwise needed to pay such expenses in the then current Fiscal Year), including amounts necessary to discharge any rebate obligation, during such year, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings under the Rate and Method.

Collection. The Special Taxes shall 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; provided that, pursuant to and in accordance with the Ordinance, the Special Taxes may be collected by means of direct billing of the property owners within the District, in which event the Special Taxes shall become delinquent if not paid when due pursuant to said billing. The Finance Director is authorized to employ consultants to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Finance Director (including a charge for City staff time) in conducting its duties under the Fiscal Agent Agreement shall be an Administrative Expense.

Covenant to Foreclose. Under the Act, the City covenants under the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, 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 two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about September 1 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the CFD to the amount of Special Tax Revenues theretofore received by the City, and:

(A) Individual Delinquencies. If the Finance Director determines that any single parcel subject to the Special Tax in the CFD is delinquent in the payment of Special Taxes for more than one full year's Special Tax levy on such parcel, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination.

(B) Aggregate Delinquencies. If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire CFD, (including the total of delinquencies under paragraph (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the CFD with a Special Tax delinquency.

Notwithstanding the foregoing, the Finance Director need not take any such actions with respect to a delinquent parcel if the CFD is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, and the amount in the Reserve Fund is at least equal to the Reserve Requirement.

The Finance Director and the City Attorney, as applicable, are authorized pursuant to the Fiscal Agent Agreement to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense under the Fiscal Agent Agreement.

Books and Records. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues and disbursements from the Administrative Expense Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Private Activity Bond Limitations. The City shall assure that the proceeds of the 2017 Bonds are not so used as to cause the 2017 Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2017 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2017 Bonds. The Finance Director shall take note of any investment of monies under the Fiscal Agent Agreement in excess of the yield on the 2017 Bonds, and shall take such actions as are necessary to ensure compliance with this covenant, such as increasing the portion of the Special Tax levy for Administration Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under this covenant. If necessary to satisfy its obligations under this covenant, the City may use:

(A) Amounts in the Reserve Fund if the amount on deposit in the Reserve Fund, following the proposed transfer, is at least equal to the Reserve Requirement;

(B) Amounts on deposit in the Administrative Expense Fund; and

(C) Any other funds available to the CFD, including amounts advanced by the City, in its sole discretion, to be repaid by the CFD as soon as practicable from amounts described in the preceding clauses (A) and (B).

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2017 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2017 Bonds would have caused the 2017 Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

Yield of the 2017 Bonds. In determining the yield of the 2017 Bonds to comply with its federal tax law-related covenants under the Fiscal Agent Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2017 Bonds, without regard to whether or not prepayments are received or 2017 Bonds redeemed.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the 2017 Bonds from the gross income of the Owners of the 2017 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2017 Bonds.

Continuing Disclosure. The City covenants and agrees in the Fiscal Agent Agreement that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default for the purposes of the Fiscal Agent Agreement. However, any Owner or Beneficial Owner of the 2017 Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

One or more owners of the real property in the CFD as of the Closing Date may also have executed a continuing disclosure agreement for the benefit of the holders and Beneficial Owners of the 2017 Bonds. Any Participating Underwriter or Holder or Beneficial Owner may take such actions as may be necessary and appropriate directly against any such landowner to compel

performance by it of its obligations thereunder, including seeking mandate or specific performance by court order; however the City shall have no obligation whatsoever to enforce any obligations under any such agreement.

Limits on Special Tax Waivers and Bond Tenders. The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds.

The City covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues assuming the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, to pay the principal of and interest when due on the Bonds remaining Outstanding following such tender. Subject to the foregoing, in the event Bonds are tendered to the Fiscal Agent, such Bonds shall be cancelled by the Fiscal Agent and shall cease to accrue interest from the date such Bonds are tendered. Upon surrender of a Bond to be tendered in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the tendering party a new Bond or Bonds the principal amount of which is equal to the untendered portion of the Bonds and the interest rate and maturity date of which shall be the same as the interest rate and maturity date of the tendered bond. To the extent applicable, the City shall deliver to the Fiscal Agent an Officer's Certificate setting forth any adjustments to the mandatory sinking fund schedule as a result of the tender, which Officer's Certificate must be accompanied by a certificate of an Independent Financial Consultant to the effect that it has reviewed the proposed adjustments in the mandatory sinking fund schedule and that the remaining Special Tax Revenues, if the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, will be sufficient to pay principal of and interest on the Bonds when due following such adjustment.

City Bid at Foreclosure Sale. The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the District and that the Special Taxes levied on the property are payable while the City owns the property.

Limitation on Principal Amount of Parity Bonds. Following issuance of the 2017 Bonds, the City will not issue more than \$10,230,000 initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

Amendment of Rate and Method. The City will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City will, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Investment of Moneys in Funds

General. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent hold such

funds uninvested. The Finance Director shall make note of any investment of funds under the Fiscal Agent Agreement in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with the rebate provisions in the Fiscal Agent Agreement.

Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

Actions of Officials. The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.

Valuation of Investments. Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Tax Code) at Fair Market Value. The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value and may conclusively rely upon an Officer's Certificate as to such valuations.

Commingled Money. Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

Sale of Investments. The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance.

Liability of City

General. The City shall not incur any responsibility in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The City shall not be bound to ascertain or

inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

Reliance. In the absence of bad faith, the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City by the Fiscal Agent or an Independent Financial Consultant and conforming to the requirements of the Fiscal Agent Agreement. The City, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts. The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

No General Liability. No provision of the Fiscal Agent Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Certain Provisions Relating to the Fiscal Agent

Merger. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything in the Fiscal Agent Agreement to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession under the Fiscal Agent Agreement.

Removal. Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this covenant, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Resignation. The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of

the Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent.

No Successor. If no appointment of a successor Fiscal Agent shall be made within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Court Order. If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement shall be assumed by and vest in the Finance Director in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that the Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent under the Fiscal Agent Agreement, in trust for the benefit of the Owners of the Bonds.

Liability of Fiscal Agent.

General. The recitals of facts, covenants and agreements in the Fiscal Agent Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. All indemnifications and releases from liability granted to the Fiscal Agent under the Fiscal Agent Agreement shall extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall not be considered in breach of or in default in its obligations under the Fiscal Agent Agreement or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

Reliance. The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, written instructions or opinions furnished to the Fiscal Agent and conforming to the requirements of the Fiscal Agent Agreement; but in the case of any such certificates, documents, written instructions or opinions by which any provision of the Fiscal Agent Agreement are specifically required to be furnished

to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Fiscal Agent Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of the Fiscal Agent Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, facsimile transmission, electronic mail, or other paper or document which it shall reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Fiscal Agent Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

No Duty to Inquire. The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the City or the CFD in the Fiscal Agent Agreement or of any of the documents executed by the City or the CFD in connection with the Bonds, or as to the existence of a default or event of default thereunder.

Errors in Judgment. The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No Expenditures. No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers.

No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners under the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Amendments Permitted

With Consent. The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement.

Without Consent. The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City in the Fiscal Agent Agreement, other covenants and agreements thereafter to be observed, or (b) to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect, including, but not limited to, amending the Rate and Method, so long as the amendment does not result in debt service coverage less than that set forth in clause (E) of the Parity Bonds test;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;

(v) in connection with the issuance of any Parity Bonds under and pursuant to the Fiscal Agent Agreement.

Fiscal Agent's Consent. Any amendment of the Fiscal Agent Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of the Fiscal Agent Agreement and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement, to take effect when and as provided in the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City), to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as provided in the Fiscal Agent Agreement.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed provided in the Fiscal Agent Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Fiscal Agent Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice provided for in the Fiscal Agent Agreement has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner provided in the Fiscal Agent Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the Fiscal Agent Agreement (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by the Fiscal Agent Agreement to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise provided in the Fiscal Agent Agreement) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Discharge of Agreement. If the City shall pay and discharge the entire indebtedness on all or any portion of Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the Reserve Fund, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to the Fiscal Agent Agreement, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

September 12, 2017

City Council
City of Dixon
600 East A Street
Dixon, California 95620

OPINION: \$4,770,000 City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Special Tax Bonds, Series 2017

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Dixon, California (the "City"), for and on behalf of the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) (the "District") of its \$4,770,000 City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Special Tax Bonds, Series 2017 (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (constituting Sections 53311 et seq., of the California Government Code) (the "Act"), a Fiscal Agent Agreement, dated as of August 1, 2017 (the "Fiscal Agent Agreement"), by and between the City, for and on behalf of the District, and MUFG Union Bank, N.A., as fiscal agent, and Resolution No. 17-111 of the City Council adopted on July 25, 2017 (the "Resolution").

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

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a municipal corporation, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein and issue the Bonds.

2. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City in accordance with its terms.

3. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with the pledge thereof for the security of any Parity Bonds that may be issued under, and as such term is defined in, the Fiscal Agent Agreement.

4. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City for the District, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

5. Subject to 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. Failure by the City to comply with one or more of such covenants could cause interest on the Bonds to be includable in gross income under 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 Resolution 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 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

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

CONTINUING DISCLOSURE AGREEMENT – CITY

THIS CONTINUING DISCLOSURE AGREEMENT – CITY (the “Disclosure Agreement”), dated as of August 1, 2017, is by and between GOODWIN CONSULTING GROUP, INC., as dissemination agent (the “Dissemination Agent”), and the CITY OF DIXON, CALIFORNIA (the “City”).

RECITALS:

WHEREAS, the City has issued, for and on behalf of the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) (the “District”), its City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Special Tax Bonds, Series 2017 (the “Bonds”); and

WHEREAS, the Bonds have been issued pursuant to a Fiscal Agent Agreement, dated as of August 1, 2017 (the “Fiscal Agent Agreement”), by and between MUFG Union Bank, N.A., as fiscal agent (the “Fiscal Agent”), and the City, for and on behalf of the District; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the owners and beneficial owners of the Bonds and in order to assist the underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5).

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 1.03 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:

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

“*Beneficial Owner*” shall mean 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.

“*Disclosure Representative*” means the Deputy City Manager – Administrative Services, or such person’s designee, or such other officer or employee as the City shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” means Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent

designated in writing by the City and which has filed with the City 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.

“*Listed Events*” means any of the events listed in Section 5(a) or 5(b) 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 August 22, 2017, relating to the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City 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.

(a) *Delivery of Annual Report.* The City shall, or shall cause the Dissemination Agent to, not later than the March 1 occurring after the end of each fiscal year of the City, commencing with the report for the 2016-17 fiscal year, which is due not later than March 1, 2018, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the City 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 they are not available by that date.

(b) *Change of Fiscal Year.* 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(c), and subsequent Annual Report filings shall be made no later than six months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the City shall provide the Annual Report to the

Dissemination Agent (if other than the City). If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

(d) *Report of Non-Compliance.* If the City is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the City shall in a timely manner send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the City is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A in a timely manner.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Agreement, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. It is acknowledged that the Closing Date for the Bonds occurred after the end of the 2016-2017 fiscal year of the City. In light of the foregoing, submission of the Official Statement and audited financial statements of the City (as described in subparagraph (a) of the next paragraph) shall satisfy the City's obligation to file an Annual Report for fiscal year 2016-2017.

The Annual Report for each fiscal year commencing with the Annual Report for the 2017-2018 fiscal year, shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the City for the most recently completed fiscal year, prepared in accordance 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) *Other Annual Information.* The Annual Report for each fiscal year, commencing with fiscal year 2017-2018, shall also include the following information:

(i) The principal amount of Bonds Outstanding as of the September 30 next preceding the date of the Annual Report.

(ii) The balance in the Reserve Fund, and a statement of the Reserve Requirement, as of the September 30 next preceding the date of the Annual Report.

(iii) The balance in the Improvement Fund, if any, as of the September 30 next preceding the date of the Annual Report.

(iv) The total assessed value of all parcels within the District on which the Special Taxes are levied, as shown on the assessment roll of the County Assessor last equalized prior to the September 30 next preceding the date of the Annual Report, a statement of value-to-lien ratios therefor, by categories, and the current fiscal year's Special Tax levy amounts, in a table similar to Table 1 in the Official Statement (based on recent sales prices of homes in the District, appraised values or assessed values, or a combination thereof).

(v) The Special Tax aggregate delinquency rate for all parcels within the District on which the Special Taxes are levied, the aggregate number of parcels within the District on which the Special Taxes are levied and which are delinquent in payment of Special Taxes, and the percentage of the most recent annual Special Tax levy that is delinquent, all as of the September 30 next preceding the date of the Annual Report.

(vi) The status of foreclosure proceedings for any parcels within the District on which the Special Taxes are levied and a summary or the results of any foreclosure sales, or other collection efforts with respect to delinquent Special Taxes, as of the September 30 next preceding the date of the Annual Report.

(vii) The identity of any property owner representing more than five percent (5%) of the annual Special Tax levy who is delinquent in payment of such Special Taxes, as shown on the assessment roll of the City Assessor last equalized prior to the September 30 next preceding the date of the Annual Report, the number of parcels so delinquent, and the total dollar amount of all such delinquencies.

(viii) A land ownership summary listing property owners responsible for more than five percent (5%) of the annual Special Tax levy, as shown on the assessment roll of the County Assessor last equalized prior to the December next preceding the date of the Annual Report.

(ix) The most recent annual information required to be provided to the California Debt and Investment Advisory Commission pursuant to Section 9.13(a) of the Fiscal Agent Agreement.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on EMMA. The City shall clearly identify each such other document so included by reference. If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The City shall give, or shall cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.

- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) 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 security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of any occurrence described in (a) or (b) above with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event.

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

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

Section 8. Dissemination Agent.

(a) *Appointment of 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 Agreement and may discharge any such agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Goodwin Consulting Group, Inc.

If the Dissemination Agent is not the City, 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 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 City. 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 City 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 City.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder as agreed to between the Dissemination Agent and the City 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, with payment to be made from any lawful funds of the District. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, 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 City 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 City. 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(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the City 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 City under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), 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) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Agreement is amended or any provision of this Disclosure Agreement is waived, the City shall describe such amendment or waiver in the next following 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(c), 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 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City 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 or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. 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 Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or future notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Bond owner, any Beneficial Owner or the Participating Underwriter may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and the owners and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. 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.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF DIXON, CALIFORNIA

By: _____
Deputy City Manager-
Administrative Services

GOODWIN CONSULTING GROUP, INC.,
as Dissemination Agent

By: _____
President

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Dixon, California
Name of Bond Issue: City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Special Tax Bonds, Series 2017
Date of Issuance: September 12, 2017

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.15 of the Fiscal Agent Agreement, dated as of August 1, 2017, between the Obligor and MUFG Union Bank, N.A., as fiscal agent. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

By: Goodwin Consulting Group, Inc., as
Dissemination Agent

CONTINUING DISCLOSURE AGREEMENT – DEVELOPER

This Continuing Disclosure Agreement – Developer (the “Disclosure Agreement”) dated as of August 1, 2017, is executed and delivered by Richmond American Homes of Maryland, Inc., a corporation organized and existing under the laws of the State of Maryland (the “Developer”), and Goodwin Consulting Group, Inc., as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the City of Dixon, California (the “City”), for and on behalf of the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) (the “District”), of its City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Special Tax Bonds, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of August 1, 2017, by and between the City, for and on behalf of the District, and MUFG Union Bank, N.A., as fiscal agent (the “Fiscal Agent Agreement”).

The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer for the benefit of the Bondowners and Beneficial Owners.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings when used herein:

“Affiliate” means, any person directly (or indirectly through one or more intermediaries) and currently under managerial control of the Developer, and about whom information could be material to potential investors in their investment decision regarding the 2017 Bonds, including without limitation information relevant to the development of the Property or the Developer’s ability to pay Special Taxes levied and to be levied on the Property.

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

“Beneficial Owner” means any person who (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

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

“Disclosure Representative” means the Vice President of Land or the Vice President of Land Acquisitions, in each case of the NorCal Division of the Developer, or his or her designee, or such other officer or employee as the Developer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” means Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

“District” means the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2).

“EMMA” means the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

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

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

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” means the Official Statement, dated August 22, 2017, relating to the Bonds.

“Participating Underwriter” means Stifel, Nicolaus & Company, Incorporated, the original underwriter 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.

“Property” means the real property within the boundaries of the District that is owned by the Developer or any Affiliate.

“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 Developer on or prior to December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

SECTION 3. Provision of Annual Reports and Semiannual Reports.

(a) The Developer shall, or shall cause the Dissemination Agent to, not later than June 15 of each year, commencing June 15, 2018, 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 Developer 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 Developer shall, or shall cause the Dissemination Agent to, not later than December 15 of each year, commencing December 15, 2017, 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 Developer 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 Developer 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 Developer 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 Developer 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 Developer 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 Developer'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. To the extent not previously disclosed in the Official Statement or in a prior Annual Report or Semiannual Report, a discussion of the sources of funds to finance development of the Property, and whether any material defaults exist under any loan arrangement related to such financing.

2. A summary of development activity conducted by the Developer or any Affiliate within the District, including the number of parcels for which building permits have been issued, and the number of parcels for which sales to homebuyers have closed, all since the most recent Annual Report or Semiannual Report.

3. Any sale by the Developer or any Affiliate of the Developer of property in the District to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the property, all since the most recent Annual Report or Semiannual Report.

4. Any major legislative, administrative and judicial challenges known to the Developer to or affecting the development of the Property or the time for construction of

any public or private improvements to be made to the Property by the Developer or any Affiliate (the "Developer Improvements").

5. Information regarding any failure by the Developer or any of its Affiliates to pay any real property taxes (including Special Taxes) levied on any Property owned by the Developer or any Affiliates.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(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 Developer 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 Developer 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 Developer obtains knowledge of the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied on the Property.

2. Damage to or destruction of any of the Developer Improvements which has a material adverse effect on the value of the Property.

3. Material default by the Developer or any Affiliate of the Developer on any loan with respect to the construction or permanent financing of the Developer Improvements.

4. Material default by the Developer or any Affiliate of the Developer on any loan secured by the Property.

5. Material payment default by the Developer on any loan of the Developer (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan.

6. The filing of any proceedings with respect to the Developer, in which the Developer 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.

7. The filing of any proceedings with respect to an Affiliate of the Developer, in which such Affiliate of the Developer 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 completion of the Developer Improvements or the development of the Property (including the payment of special taxes of the District).

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

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

(b) Whenever the Developer obtains knowledge of the occurrence of a Significant Event occurs under Section 5(a), subsection (2), (3), (4), (5), (7) or (8), the Developer 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), (6) or (9) occurs, or if the Developer determines that knowledge of the occurrence of an event described in Section 5(a), subsection (2), (3), (4), (5), (7) or (8) would be material under applicable federal securities laws, the Developer shall file in a timely manner within 10 Business Days after the Developer obtains knowledge of 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 the 10 Business Day period, with a copy to the City. The Developer 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 City.

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 Developer'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) the date on which the Developer and any Affiliate no longer own property in the District that is subject to twenty percent or more of the aggregate Special Tax levy for the then current year, or

(c) upon the delivery by the Developer to the City 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 Developer or a private letter ruling obtained by a similar entity to the Developer.

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

SECTION 8. Dissemination Agent. The initial Dissemination Agent under this Disclosure Agreement shall be Goodwin Consulting Group, Inc. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing (i) thirty days written notice to the Developer and the City and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer 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 the Developer 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 Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Fiscal Agent, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

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

If the financial information or operating data to be provided in an Annual Report or Semiannual Report is amended pursuant to the provisions of this Disclosure Agreement, the Developer 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 of financial information or operating data being presented by the Developer.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer 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 Developer 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 Developer 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 Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 11. Default. In the event of a failure of the Developer 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 Developer 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, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Developer agrees to pay the Dissemination Agent a reasonable annual fee for the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Annual Reports and Semiannual Reports provided to it by the Developer as constituting an Annual Report or Semiannual Report, as applicable, required of the Developer in accordance with this Disclosure Agreement and shall have no duty or obligation to review any such Annual Report or Semiannual Report. The Dissemination Agent shall have no duty to prepare any Annual Report or Semiannual Report nor shall the Dissemination Agent be responsible for filing any Annual Report or Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 13. Reporting Obligation of Developer's Transferees. The Developer shall, in connection with any sale or transfer of ownership of land within the District to a transferee that is not an Affiliate of the Developer which will result in the transferee (which term shall include any successors and assigns of the Developer) becoming responsible for the payment of more than twenty (20) percent of the Special Taxes levied on property within the District 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 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 (20) percent of the annual Special Taxes.

SECTION 14. Developer as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

SECTION 15. 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:	Richmond American Homes of Maryland, Inc. One Harbor Center, Suite 100 Suisun City, CA 94585 Attention: NorCal Division Vice President of Land or Vice President of Land Acquisitions
Dissemination Agent:	Goodwin Consulting Group, Inc. 555 University Avenue, Suite 280 Sacramento, CA 95825 Attention: Victor Irzyk
Fiscal Agent:	MUFG Union Bank, N.A. 350 California Street, 11th Floor San Francisco, CA 94104 Attention: Corporate Trust Department
Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, CA 94104 Attention: Anna Van Degna
City or District:	City of Dixon 600 East A Street Dixon, CA 95620 Attention: Deputy City Manager – Administrative Services

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Developer shall not assign this Disclosure Agreement or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 13 hereof. The Dissemination Agent may, with prior written notice to the Developer and the City, assign this Disclosure Agreement and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

SECTION 18. 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 19. 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 20. 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.

RICHMOND AMERICAN HOMES OF
MARYLAND, INC., a Maryland
corporation

By: _____

Name: _____

Title: _____

GOODWIN CONSULTING GROUP, INC.,
as Dissemination Agent

By: _____

President

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F has been provided by The Depository Trust Company (“DTC”), New York, NY, for use in securities offering documents, and the City does not take responsibility for the accuracy or completeness thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the 2017 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2017 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

The following description of DTC, the procedures and record keeping with respect to beneficial ownership interests in the 2017 Bonds, payment of principal, interest and other payments on the 2017 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2017 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 2017 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2017 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 2017 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2017 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2017 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 2017 Bonds (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.

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. *The information contained on this Internet site is not incorporated herein by reference.*

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.

THE FISCAL AGENT, AS LONG AS A BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE 2017 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO CEDE & CO., OR ITS SUCCESSOR AS DTC’S PARTNERSHIP NOMINEE. ANY FAILURE OF CEDE & CO., OR ITS SUCCESSOR AS DTC’S PARTNERSHIP NOMINEE TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2017 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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. The 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.

12. THE CITY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE 2017 BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CITY AND THE UNDERWRITER ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE 2017 BONDS OR AN ERROR OR DELAY RELATING THERETO.

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APPENDIX G
APPRAISAL REPORT

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Appraisal Report

City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2)

Along W. Cherry Street, West of S. 1st Street
Dixon, CA 95620



Date of Report: July 18, 2017

Prepared For:

Ms. Joan Michaels Aguilar
Deputy City Manager – Administrative Services
City of Dixon
600 East A Street
Dixon, California 95620

Prepared By:

Kevin K. Ziegenmeyer, MAI
Eric A. Segal, MAI



July 18, 2017

Ms. Joan Michaels Aguilar
Deputy City Manager – Administrative Services
City of Dixon
600 East A Street
Dixon, California 95620

RE: City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2)
Along W. Cherry Street, West of S. 1st Street
Dixon, CA 95620

Dear Ms. Michaels Aguilar:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an appraisal of the property within City of Dixon Community Facilities District No. 2015-1 (the “CFD”), under the assumptions and conditions contained in this report. The attached Appraisal Report was prepared in compliance with the reporting requirements set forth under Standards Rule 2-2(a) of the 2016/17 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004).

The CFD is located along W. Cherry Street, west of State Highway 113 (S. 1st Street), within the city of Dixon, Solano County, California. Specifically, the subject is 23.09± gross acres and includes 110 single-family lots, representing 106 lots within Unit 1 of Phase 2 of the Valley Glen residential subdivision and four lots that were within a future annexation area of the CFD, but which have been annexed into the CFD. The property is being developed by Richmond American Homes. As of the date of inspection, June 6, 2017, the subject property was comprised of finished lots with three completed model homes, and home construction underway on a number of lots. The valuation includes the underlying land and the value of finished homes as well as the value of permits pulled for homes not yet complete but does not include vertical improvements for unfinished homes. A more detailed description of the subject property is provided within the attached report.

As a result of our analysis, it is our opinion the market value of the appraised property, subject to hypothetical conditions, and in accordance with the general and extraordinary assumptions and limiting conditions set forth herein, as of June 6, 2017, is...

SIXTEEN MILLION NINE HUNDRED TEN THOUSAND DOLLARS

\$16,910,000

Ms. Joan Michaels Aguilar
July 18, 2017
Page 2

The market value estimated herein is based on a *hypothetical condition*. USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis.” Certain of the proceeds from the CFD Bonds (the “Bonds”) will be used to reimburse for infrastructure improvements. The market value estimated herein is based on the hypothetical condition the infrastructure improvements to be reimbursed by proceeds of the Bonds were in place as of the date of value, and the subject property was encumbered by CFD Bonds. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the Bonds.

The estimate of market value provided assumes a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self interest and assuming neither is under duress.

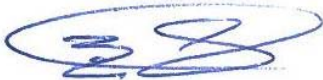
The appraisers certify this assignment was not based on a minimum, maximum, or specified value. We also certify the market data obtained during the appraisal process was impartially collected, considered and analyzed. Further, we have no past, present or anticipated future interest in the subject property.

This letter must remain attached to the report, which contains 82 pages, plus related exhibits and Appendix, in order for the value opinion contained herein to be considered valid.

This appraisal has been performed in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

Thank you for the opportunity to work with your office on this assignment.

Sincerely,

A blue ink signature of Eric A. Segal, consisting of stylized initials and a surname.

Eric A. Segal, MAI
State Certification No.: AG026558
Expires: February 18, 2019

A black ink signature of Kevin K. Ziegenmeyer, consisting of stylized initials and a surname.

Kevin K. Ziegenmeyer, MAI
State Certification No.: AG013567
Expiration Date: June 4, 2019

/mlb

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D – Qualifications of Appraiser(s)	

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property:	The property includes 110 single-family residential lots comprising 106 lots within Unit 1 of Phase II of the residential subdivision Valley Glen as well as four lots that were within a future annexation area, but which have been annexed into the CFD. Three of the lots have finished model homes.
Location:	Along W. Cherry Street, west of State Highway 113 (S. 1st Street), within the city of Dixon, Solano County, California 95620
Census Tract Number:	2534.02
Assessor Parcel Numbers (APNs):	0114-321-010 through -210, 0114-322-010 through -180, 0114-323-010 through -150, 0114-331-010 through -050, 0114-332-010 through -370, 0114-333-010 through -090, 0114-291-010 through -040, and 0114-203-180
Ownership:	Richmond American Homes of Maryland, Inc.
Acreage:	23.09± gross acres
Property Rights Appraised:	Fee Simple Interest
Zoning:	Zoning: PMR PD - Planned Multiple Residential District, Planned Development General Plan: MDL – Medium Density Low (6.23 to 14.52 units/acre, 3,000 to 6,999 SF) The zoning is consistent with the General Plan.
Entitlements:	On July 9, 2002 the City Council approved the Planned Development Plan and Tentative Map for the Valley Glen Subdivision. A Development Agreement was approved by the City Council on November 26, 2002 and a Final Map for Phase 2 Unit 1 was approved on October 25, 2016.
Lot Sizing:	The subject lots range in size from 4,500 to 12,155 square feet with a median size near 6,800, considered the typical lot size for the subject.
Flood Zoning:	Areas outside the 100-year and 500-year floodplains. Flood insurance is not required.
Highest and Best Use:	Near term single-family residential development

Date of Inspection: June 6, 2017

Effective Date of Value: June 6, 2017

Date of Report: July 18, 2017

Exposure Time: 12 months

Conclusion of Market Value Subject to a Hypothetical Condition: **\$16,910,000**

The estimate of market value herein is subject to a ***hypothetical condition***. USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis.” Certain of the proceeds from the CFD Bonds (the “Bonds”) will be used to reimburse for infrastructure improvements. The market value estimated herein is based on the hypothetical condition the infrastructure improvements to be reimbursed by proceeds of the Bonds were in place as of the date of value, and the subject property was encumbered by CFD Bonds. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the Bonds.

CLIENT, INTENDED USER AND INTENDED USE

The client and intended user of the report is the City of Dixon. It is our understanding the report will be used for bond underwriting purposes. The Appraisal Report is intended for use as an aid in bond underwriting. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this Appraisal Report for inclusion in the Preliminary Official Statement (POS) and Official Statement (OS) for the Bonds to be used for the express purpose of marketing the Bonds to prospective investors.

APPRAISAL REPORT FORMAT

This document is an Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2016-17 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

TYPE AND DEFINITION OF VALUE

The purpose this appraisal is to estimate the market value (fee simple estate) of the appraised property, as of the date of inspection (June 6, 2017), subject to the hypothetical condition the improvements to be financed by the City of Dixon Community Facilities District No. 2015-1 (Valley Glen No. 2) Bonds are in place. Market value is defined as follows:

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

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

¹ Code of Federal Regulations, Title 12, Section 34.42 (55 Federal Register 34696, Aug. 24, 1990; as amended at 57 Federal Register 12202, Apr. 9, 1992; 59 Federal Register 29499, June 7, 1994).

PROPERTY RIGHTS APPRAISED

The market value estimate derived herein is for the fee simple estate, defined as follows:

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

DATES OF INSPECTION, VALUE AND REPORT

An inspection of the subject property was completed on June 6, 2017, which represents the effective date of market value. This appraisal report was completed and assembled on July 18, 2017.

SCOPE OF WORK

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

Several legal and physical aspects of the subject property were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. Information was provided by representatives of Richland Communities, Inc., Richmond American Homes of Maryland, Inc., and DPFPG, regarding a description of the development plan and costs. The sales history was verified by consulting public records. Zoning and entitlement information was collected from the City of Dixon Planning Department. The subject’s earthquake zones, flood zones and utilities were obtained from the respective agencies, and property tax information was obtained from the County of Solano Assessor’s Office on-line resources.

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

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

²The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 90.

The valuation of the subject includes the underlying land and the value of finished homes as well as the consideration to permits pulled for homes under construction; however, the valuation gives no consideration to partially completed homes. For the valuation of the finished homes we utilized the sales comparison approach to analyze the existing floor plans. In the valuation of the subject's lots we utilized the sales comparison approach and extraction analysis. In the sales comparison approach, adjustments were applied to the prices of comparable bulk lot transactions. Then, as a support of reasonableness, we utilized an extraction analysis, which was reconciled with the sales comparison approach and a market value for the subject's lots was concluded. In addition, as noted above, we have been asked to exclude any contributory value of unfinished homes, but consider the value of permits and fees paid for lots with construction underway or not yet begun.

The cost and income capitalization approaches to value were not considered applicable to the valuation of the subject property, since the subject is comprised of land under development with limited, if any, extended income producing potential. However, as part of the extraction analysis, home and site development costs were taken into account.

The individuals involved in the preparation of this appraisal include Mr. Eric A. Segal, MAI, Mr. Kevin K. Ziegenmeyer, MAI, and Mr. Noah Kauffman, Research Analyst. Mr. Kauffman assisted in 1) inspecting the subject property, 2) reviewing the subject information provided by the client, 3) the collection and confirmation of market data, 4) the analysis of the market data, and 5) preparing portions of a draft report. Mr. Ziegenmeyer 1) inspected the subject property, 2) reviewed the subject information provided by the client, 3) reviewed Mr. Kauffman's research and also compiled and confirmed market data, 4) made any necessary revisions and/or amplifications and 5) completed the final report. Mr. Segal 1) completed an inspection of the subject property, 2) provided professional input, and 3) reviewed the final report.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

It is noted the use of an extraordinary assumption or hypothetical condition may have affected the results of the appraisal.

Extraordinary Assumptions

None

Hypothetical Conditions

1. The market value estimated herein is based on a *hypothetical condition*. USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis.” Certain of the proceeds from the CFD Bonds (the “Bonds”) will be used to reimburse for infrastructure improvements. The market value estimated herein is based on the hypothetical condition the infrastructure improvements to be reimbursed by Bonds were in place as of the date of value, and that the subject property was encumbered by CFD Bonds. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the Bonds.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. No responsibility is assumed for matters of law or legal interpretation.
3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.
10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics,

the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.

12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
13. Possession of this report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document in a preliminary official statement and an official statement for bonds being issued by the City for the CFD to aid in bond underwriting and in the issuance of bonds.
15. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
16. An inspection of the subject property revealed no apparent adverse easements, encroachments or other similar conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.
17. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser.

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- Kevin K. Ziegenmeyer, MAI, and Noah Kauffman, Research Analyst, provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

Eric A. Segal, MAI

State Certification No.: AG026558 (February 18, 2019)

July 18, 2017

DATE

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- Noah Kauffman, Research Analyst, provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



Kevin K. Ziegenmeyer, MAI

State Certification No.: AG013567 (June 4, 2019)

July 18, 2017

DATE

PROPERTY DESCRIPTION AND HISTORY

City of Dixon Community Facilities District No. 2015-1 (the “CFD”) is located along W. Cherry Street, west of State Highway 113 (S. 1st Street), within the city of Dixon, Solano County, California. Specifically, the subject property is 23.09± gross acres comprised of 110 single-family lots, representing 106 lots within Unit 1 of Phase 2 of the Valley Glen residential subdivision as well as one lot and three model homes within a future annexation area of the CFD. The property is being developed by Richmond American Homes of Maryland, Inc., which is hereinafter referred to as the “Developer” of the subject property. As of the date of inspection, June 6, 2017, the subject was comprised of finished lots with home construction underway on a number of lots in addition to three completed model homes. To date the builder has obtained 23 building permits, including those for the completed homes. The valuation includes the underlying land and the value of finished homes as well as the value of permits pulled for homes not yet complete but does not include vertical improvements for unfinished homes.

The subject is located within the Valley Glen subdivision, originally approved in 2002. After approval Pulte Homes developed 360 single-family homes and 102 multifamily units during the last expansionary period. Pulte halted development and in 2009 sold the 316 remaining undeveloped single-family lots to affiliates of Richland Communities, Inc.

Dixon is generally a rural, agricultural-based town. Growth in Dixon is constrained by the voter-imposed Measure B, which allows a maximum 3% growth rate in total housing units per year. The City had previously approved sufficient housing allocations for the entirety of the Valley Glen development; however, due to a pause in development during the last real estate market downturn unused allocations reverted to the allocation pool. Pursuant to an amendment to the Development Agreement for Valley Glen approved by the City in 2014, the necessary building permit allocations for the subject CFD were reallocated allowing for all 110 lots to be developed and construction of homes within the CFD is now underway.

Proposed Product

The subject’s 110 lots represent 106 lots within the initial portion of Phase 2 of the Valley Glen development and four additional lots. The lot sizes range from 4,500 to 12,155 square feet with a median size near 6,800, considered the typical lot size for the subject. Richmond American Homes of Maryland, Inc. has proposed five floor plans for the subject ranging in size from 2,056 to 3,030 square feet.

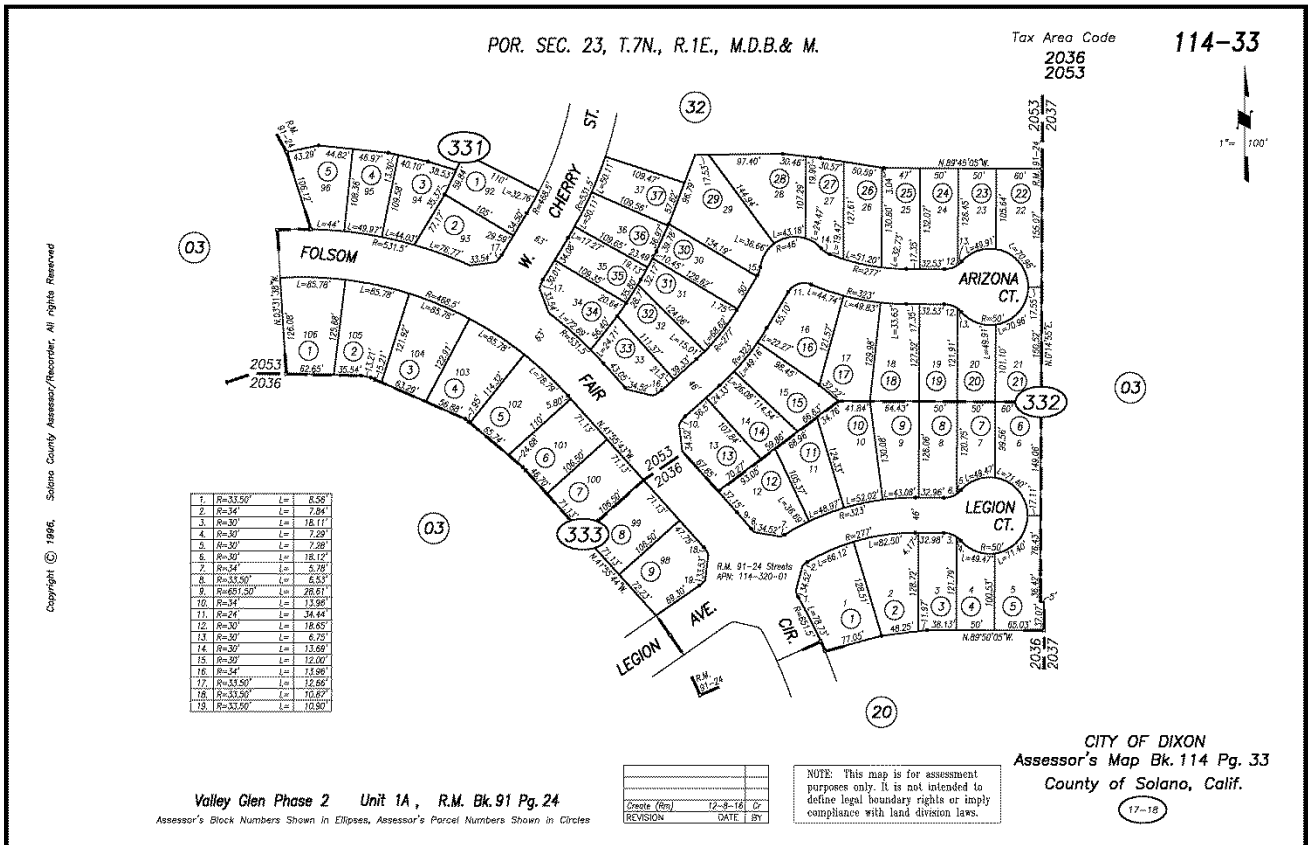
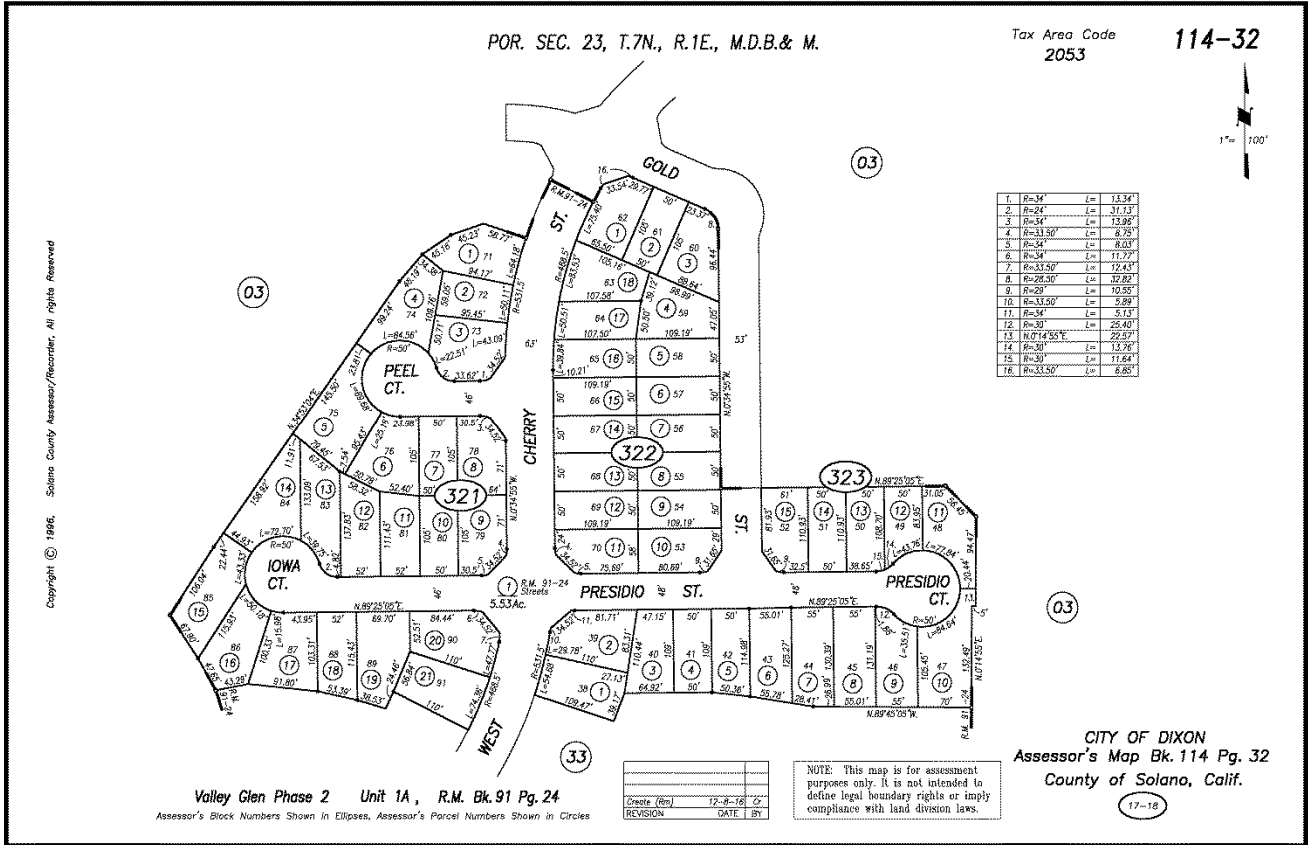
Three Year Sales History

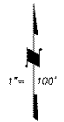
On August 31, 2016 the subject property was purchased from Manitoba Ventures, LLC and Rich Haven-Visser, LLC for \$6,050,000 (\$55,000 per lot for the 110 lots). At the time of sale four of the lots were improved with the remaining 106 lots in blue-top condition. Considering the market conditions and condition of the lots at the time of the transaction the transfer is considered a reasonable indicator of the subject's market value on a price per lot basis, as of the date of purchase and the transaction will be further analyzed in the *Sales Comparison Approach* section. To our knowledge, the subject is not being marketed for sale in bulk.

Strengths, Weaknesses, Opportunities, Threats

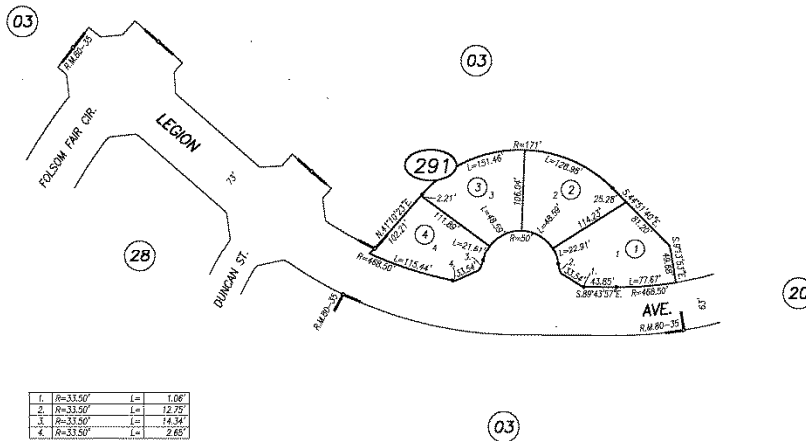
- Strengths:
- Appeal to both first time and move-up buyers
 - Good condition of surrounding homes and immediate path of growth
 - Backbone infrastructure and in-tract development are substantially complete
 - Good transportation linkages with proximity to the Interstate 80, with relatively short commute times to Vacaville and Davis (10 minutes) and Fairfield and Sacramento (25 minutes)
- Weaknesses:
- Commuter destination
- Opportunities:
- Strengthening residential sector signals the local economy is entering an expansionary cycle
- Threats:
- Macroeconomic factors, and the possibility the economy stagnates and the residential sector loses steam
 - Unforeseen delays/costs/risks before construction occurs

PROPERTY LEGAL DATA





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1	R=33.50°	L=	1.08'
2	R=33.50°	L=	12.75'
3	R=33.50°	L=	14.34'
4	R=33.50°	L=	2.65'

Valley Glen Phase 3 Unit No.1, R.M. Bk.80 Pg.35

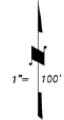
Assessor's Block Numbers Shown in Ellipses, Assessor's Parcel Numbers Shown in Circles

290-01-02 & 291-05		
CR (Rev)	8-25-11	CR
Create (Rev)	11-2-04	SE
REVISION	DATE	BY

NOTE: This map is for assessment purposes only. It is not intended to define legal boundary rights or imply compliance with land division laws.

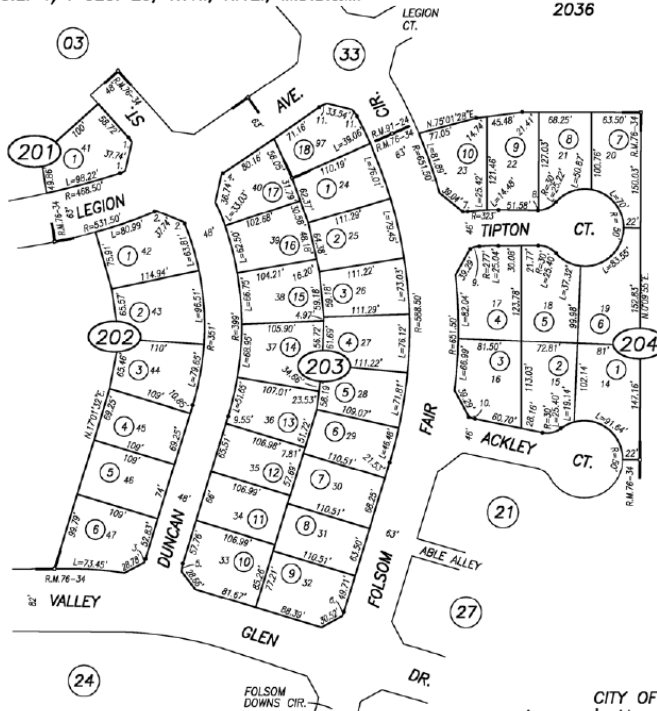
CITY OF DIXON
Assessor's Map Bk. 114 Pg. 29
County of Solano, Calif.

12-13



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1	R=29°	L=	7.46'
2	R=29°	L=	2.85'
3	R=34°	L=	5.47'
4	R=29°	L=	2.53'
5	R=34°	L=	11.28'
6	R=33.50°	L=	5.95'
7	R=34°	L=	5.08'
8	R=30°	L=	0.18'
9	R=34°	L=	11.84'
10	R=34°	L=	8.33'
11	R=33.50°	L=	10.71'



Valley Glen Phase 1 Unit 1, R.M. Bk. 76 Pg. 34
Valley Glen Phase 2 Unit 1A, R.M. Bk. 91 Pg. 24

Assessor's Block Numbers Shown in Ellipses, Assessor's Parcel Numbers Shown in Circles

203-18 (60m)	12-8-16	CR
Adj. Pg. 29	11-2-04	SE
Adj. Pg. 27	12-26-03	SE
Adj. Pg. 24	6-11-03	SE
REVISION	DATE	BY

NOTE: This map is for assessment purposes only. It is not intended to define legal boundary rights or imply compliance with land division laws.

CITY OF DIXON
Assessor's Map Bk. 114 Pg. 20
County of Solano, Calif.

17-16

Location

The subject property is located along W. Cherry Street, west of State Highway 113 (S. 1st Street), within the city of Dixon, Solano County, California.

Assessor's Parcel Numbers

The subject comprises Assessor's Parcel Numbers 0114-321-010 through -210, 0114-322-010 through 180, 0114-323-010 through -150, 0114-331-010 through -050, 0114-332-010 through -370, 0114-333-010 through -090, 0114-291-010 through -040, and 0114-203-180

Owner(s) of Record

Title to the subject property is held by Richmond American Homes of Maryland, Inc.

Legal Description

A legal description of the subject property, as noted in Grant Deed number 201600074755, recorded in Solano County on August 31, 2016 is included in the Appendix of this report.

Property Taxes (*Ad Valorem Taxes*)

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual inflationary increases cannot exceed 2% per year. The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and supplemental assessments. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the political jurisdiction in which the property is located, can be added to the 1% tax rate.

According to the Solano County Tax Collector's Office, the subject property is located within tax rate area 2035, which has a tax rate of 1.111767%. However, the existing taxes will be adjusted substantially as the parcels are developed. It is anticipated the lots will be subject to direct charges after development for Solano Irrigation District and the City's Landscape and Lighting District. As discussed throughout this Report, the Developer is proposing to seek payment for certain infrastructure improvements and facilities through the City's formation of the CFD and related

issuance of the Bonds. Specifically, the Developer’s predecessor in interest will receive payment for eligible expenses incurred in relation to public improvements. The Maximum Special Tax applicable to the lots in the CFD for the 2016/17 fiscal year is summarized below and is subject to a 2% annual increase.

Lot Size Range	Maximum Special Tax
SFD Lots ≥ 10,000 square feet	\$2,550.00
SFD Lots ≥ 7,000 square feet and < 10,000 square feet	\$2,371.50
SFD Lots < 7,000 square feet	\$2,193.00

Conditions of Title

A preliminary title report was not provided for this analysis. It is assumed there are no adverse conditions on title. The appraiser assumes no negative title restrictions and accepts no responsibility for matters pertaining to title.

Zoning and Entitlements

The subject property is zoned PMR PD - Planned Multiple Residential District, Planned Development. The General Plan designation is MDL – Medium Density Low (6.23 to 14.52 units/acre, 3,000 to 6,999 SF). The zoning is consistent with the General Plan.

On July 9, 2002 the City Council approved the Planned Development Plan and Tentative Map for the Valley Glen Subdivision. A Development Agreement was approved by the City Council on November 26, 2002 for the entire Valley Glen development and a Final Map for Phase 2 Unit 1 was approved on October 25, 2016.

Flood Zone

- Source: Federal Emergency Management Agency (FEMA) National Flood Insurance Program
- Flood Zone: Zone X – Areas outside the 100-year and 500-year floodplains
- Map Panel: 06095-0200F
- Panel Date: August 2, 2012
- Flood Insurance: Flood insurance is not required.

Earthquake Zone

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

Easements

An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions currently impacting the subject. Please refer to a preliminary title report for information regarding potential easements, as the appraiser is not a surveyor nor qualified to determine the exact location of any easements. It is assumed that any easements noted in a preliminary title report do not have an impact on the opinion of value set forth in this report. If at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value contained herein.

SITE DESCRIPTION



Source: Google Earth - Boundaries indicated are approximate – Image does not reflect current development status

Property:	The CFD is located along W. Cherry Street, west of State Highway 113 (S. 1st Street), within the city of Dixon, Solano County, California.
Land Area:	The subject is 23.09± gross acres comprised of 110 single-family lots.
Topography:	Generally level
Shape:	The subject is irregular yet functional in shape.
Adjacent Uses:	
North	Residential development
East	Residential development and cemetery
South	Residential development
West	Vacant residential land and railroad tracks
Access, Frontage, Visibility:	The subject has access, frontage and visibility from W. Cherry Street, Legion Avenue, Folsom Fair Circle, and Gold Street, which have been extended to the interior of

the subject for access to individual lots. Overall, the accessibility and visibility of the property are considered average for residential use.

Utilities:

Public utilities, including electricity, natural gas, sewer, public water, telephone, etc., are available to the subject's lots.

Drainage:

As of the date of inspection onsite work was nearing completion and it is assumed the completed site improvements will provide adequate drainage for the subdivision.

Soils:

The appraiser has not been provided a soils report to determine the load bearing capacity of the subject properties. Based on the surrounding improvements, no adverse subsoil conditions are apparent. The soils appear to be similar to other local parcels that, to the best of our knowledge, have been improved with no adverse effects.

Environmental Issues:

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present, on the subject property. The appraiser has no knowledge of the existence of such materials on the properties. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. The value estimate is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

Offsite Improvements:

Offsite improvements, which include primary access roads and curbs, gutters, sidewalks and street lights, are in place.

Onsite Improvements:

Interior roadway extensions have been completed with utilities underneath, providing for finished lots. As of the date of value home construction had begun on a number of the lots.

Site Development Costs:

As of the date of value, the subject property was substantially improved with minimal remaining site development needed. According to information provided for this appraisal the budgeted development costs total \$4,280,534. As of the date of inspection site development was substantially completed. The remaining development costs reportedly total \$838,979. The proposed CFD

reimbursement totals \$3,400,915, or \$32,084 per lot ($\$3,400,915 \div 106 \text{ lots} = \$32,084 \text{ per lot}$). As a result of the reimbursement, the subject will be encumbered by Special Taxes, as discussed in the *Property Tax* section.

It is a hypothetical condition of this report the improvements to be reimbursed by CFD bonds are in place.

Permits & Fees Due at Building Permit:

According to the Developer's budget, permits and fees due at building permit (which include land development, impact, building, school and other fees) are anticipated to range from \$50,557 to \$55,088 per lot. In light of the fact that fees vary according to proposed home size, in our analysis of the subject, we utilize an average fee amount of \$53,000.

Conclusion:

Overall, the property is deemed functional in terms of its size, topography, shape and overall location. There appear to be no unusual or restrictive physical limitations to the property.

FACILITIES TO BE FINANCED BY THE CFD

Principal and interest on the Bonds will be paid by a Special Tax levied against the developable (residential) properties within the CFD. As of the date of value, June 6, 2017, infrastructure improvements eligible for financing by Bonds were partially complete.

The Bonds will reimburse for infrastructure improvements, the costs associated with the design and implementation of the construction of improvements and the costs associated with the formation of the related Community Facilities District and incidental expenses. The facilities authorized for construction with the Bonds include—but are not limited to—road, wastewater, water and storm drain improvements,

The market value estimated herein is based on a *hypothetical condition*. USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis.” Certain of the proceeds from the CFD Bonds (the “Bonds”) will be used to reimburse for infrastructure improvements. The market value estimated herein is based on the hypothetical condition the infrastructure improvements to be reimbursed by Bonds were in place as of the date of value, and that the subject property was encumbered by CFD Bonds. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the Bonds.

SUBJECT PHOTOGRAPHS



W. Cherry Street north of subject



Looking south on W. Cherry Street



Finished lots



Finished lots



Finished lots



Finished lots



Looking north across subject



Looking south across eastern portion of subject



Home construction underway



Home construction underway



Home construction underway



Home construction underway



Home construction underway



Model Home

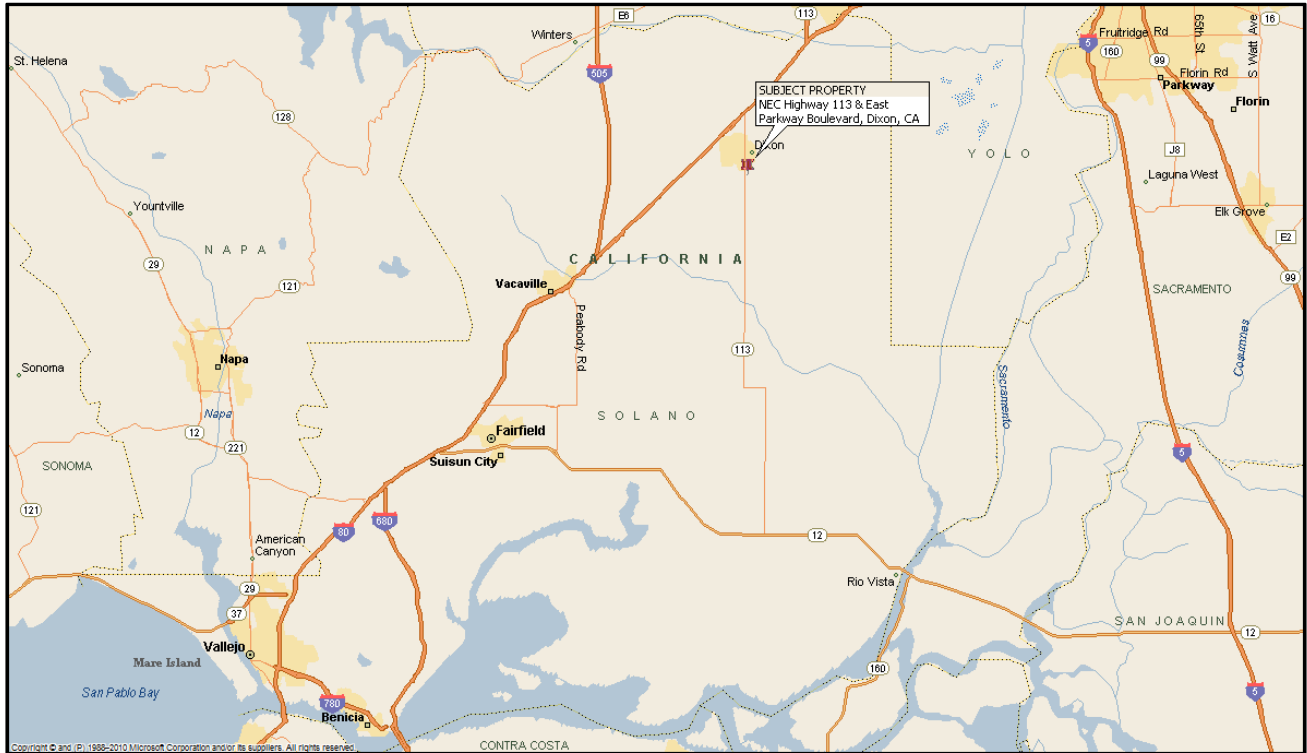


Model Home



Model Home

SOLANO COUNTY



Introduction

Solano County is situated just northeast of the San Francisco Bay. After a quiet beginning as a cluster of small frontier villages in the 1850s, Solano County has become one of California's fastest growing counties. However, the friendliness, charm and informality of these former pioneer towns have not been lost with the recent growth. Building on diverse natural advantages, the County's development has followed equally diverse lines. The cities of Vallejo, Fairfield and Vacaville have become large population centers, and Vallejo and Benicia have become centers for shipping, warehousing and associated trades.

There are approximately 907 square miles within the Solano County limits. The County's location makes both rural and suburban living possible. Within driving distance are the cultural activities of San Francisco, the East Bay and Sacramento. Solano County includes seven incorporated cities: Benicia, Dixon, Fairfield, Rio Vista, Suisun City, Vacaville and Vallejo, as well as unincorporated areas. Located midway between San Francisco and Sacramento, the County offers a modern infrastructure network and ample land for residential, commercial and industrial development.

Population

The population of Solano County is over 436,000 and has shown moderate growth over the past five years, with an average growth rate of 1.0% per year. The most populous cities are Vallejo, Fairfield and

Vacaville. The following table illustrates population trends over the past few years.

POPULATION TRENDS							
City	2012	2013	2014	2015	2016	2017	%/Yr
Benicia	27,007	27,117	27,280	27,434	27,574	27,695	0.5%
Dixon	18,312	18,360	18,817	18,912	19,065	19,298	1.1%
Fairfield	107,022	108,620	110,003	111,484	112,255	114,157	1.3%
Rio Vista	7,487	7,674	7,985	8,234	8,623	9,019	4.1%
Suisun City	28,182	28,406	28,615	28,901	29,168	29,295	0.8%
Vacaville	92,969	93,703	94,382	95,265	96,946	98,456	1.2%
Vallejo	115,919	116,169	116,881	117,437	117,629	118,280	0.4%
Unincorporated	<u>18,964</u>	<u>19,136</u>	<u>19,320</u>	<u>19,455</u>	<u>19,712</u>	<u>19,823</u>	<u>0.9%</u>
Total	415,862	419,185	423,283	427,122	430,972	436,023	1.0%

Source: California Department of Finance

Among the nine San Francisco Bay Area counties, Solano is estimated to account for about one-third of all growth in the next decade, according to the California Department of Finance. Many residents from the more densely populated areas of San Francisco and Alameda Counties are migrating to Solano and Contra Costa Counties.

Transportation

Solano County is well served by the state and interstate highway systems. Interstate 80, which generally runs the length of the county, connects with the San Francisco Bay Area to the southwest and Sacramento to the northeast. The Interstate 80 corridor through Solano County is regarded as the hub for vehicular transportation throughout the Northern California area. Interstate 680 runs from north to south and connects Solano County with the San Jose Metropolitan Area in Santa Clara County to the south. After passing Contra Costa and Alameda counties, I-680 becomes Interstate 280 in San Jose. Interstate 780 is the east-west connection between Benicia and Vallejo in Solano County. Other significant highways include the north-south Interstates 505 and 5, and State Highways 37 and 12 for east-west travel to Marin and Sonoma Counties.

Solano County has deep-water ports in Vallejo and Benicia for shipping. Rail transportation includes Union Pacific Railroad for freight service and Amtrak for passenger service. Local air transportation is somewhat limited, with the closest airports being sub-regional or municipal in nature. These airports include the Nut Tree Airport, Rio Vista Municipal Airport, Yolo County Airport, Napa County Airport and Buchanan Field (Contra Costa County). However, the San Francisco, Oakland and Sacramento International Airports are within a one- to two-hour drive from Solano County.

Employment & Economy

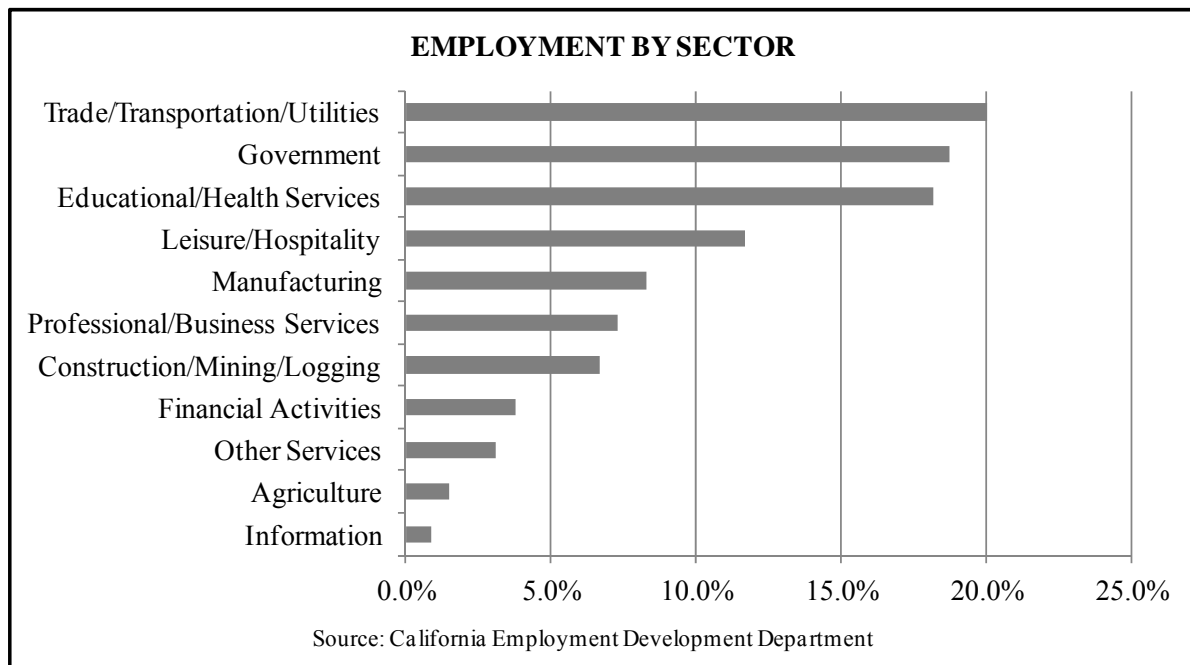
The California Employment Development Department has reported the following employment data for Solano County over the past several years.

EMPLOYMENT TRENDS						
	2011	2012	2013	2014	2015	2016
Labor Force	202,200	202,700	203,000	203,200	205,300	207,900
Employment	177,600	181,000	184,600	187,900	192,800	196,500
Job Growth	600	3,400	3,600	3,300	4,900	3,700
Unemployment Rate	12.2%	10.7%	9.1%	7.5%	6.1%	5.5%

Source: California Employment Development Department

The unemployment rate in Solano County was 5.2% in March 2017, which compares to rates of 4.9% for California and 4.5% for the U.S. Most areas within the state and nation, including Solano County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines during 2011-2016.

Solano County has a diverse economy, with no one sector accounting for a majority of the employment in the region. The following chart indicates the percentage of total employment for each sector within the county.



As can be seen in the chart above, the area's largest employment sectors are Trade, Transportation and Utilities (which includes retail and wholesale trade); Government; and Educational and Health

Services. Within the Health Services sector, major employers include Kaiser Permanente, NorthBay Healthcare System and Sutter Solano Medical Center.

A few unique industry clusters have developed in the county. The Solano Business Park in Fairfield is home to the “Candy Cluster” with businesses such as Jelly Belly Candy Company, Thompson Candy and Guittard Chocolate. Along Interstate 80 is the “Life Sciences Corridor,” which is home to several firms in the fields of biotechnology, pharmaceuticals, medical devices, seed production, and research and development. The former Mare Island Naval Shipyard in Vallejo has attracted a wide variety of companies ranging from durable goods manufacturers to an education provider, Touro University. Solano County is home to the largest port-oriented industrial park in northern California, a 1,500-acre park in Benicia with about 300 companies employing about 5,000 people.

The following table lists the largest employers in the region, though none are located within the City of Dixon.

LARGEST EMPLOYERS			
	Employer	Industry	Employees
1	Travis Air Force Base	Government/Military	14,353
2	County of Solano	Government	2,993
3	Kaiser Permanente - Vallejo	Healthcare	2,937
4	Fairfield-Suisun Unified School District	Government	2,707
5	NorthBay Healthcare System	Healthcare	1,982
6	California Medical Facility	Healthcare	1,953
7	Vallejo City Unified School District	Government	1,600
8	Six Flags Discovery Kingdom	Amusement Parks	1,591
9	California State Prison Solano	Government	1,300
10	Kaiser Permanente - Vacaville	Healthcare	1,218

Source: County of Solano, Comprehensive Annual Financial Report, June 30, 2015

Some of the other large private employers in the region include ALZA Corporation (pharmaceuticals), Genentech (biopharmaceuticals) and Walmart (retail stores).

Public sector employment is significant in the county, with jobs at the federal, state and local levels. Government payrolls include Travis Air Force Base, California Department of Corrections facilities in Vacaville, municipal and county administrative offices, and educational institutions, including Solano Community College and K-12 public school districts. Many county residents are also employed by the University of California, Davis in nearby Yolo County.

Household Income

Median household income represents a broad statistical measure of well-being or standard of living

in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. In the year 2015 (most recent data available from the U.S. Census Bureau), Solano County's median household income was \$67,202, which was slightly higher than the state of California's median income of \$64,483.

Recreation & Community Facilities

Major attractions in Solano County include Six Flags Discovery Kingdom in Vallejo, the Jelly Belly candy factory in Fairfield, The Factory Stores at Vacaville, and the Nut Tree in Vacaville. The county also offers many outdoor recreational activities. Fishing and boating are available in the Delta waterways of the Sacramento and San Joaquin Rivers and at Lake Berryessa, a few miles to the west in neighboring Napa County, home of the world-famous wine country. The San Francisco Bay Area is within about an hour drive to the west.

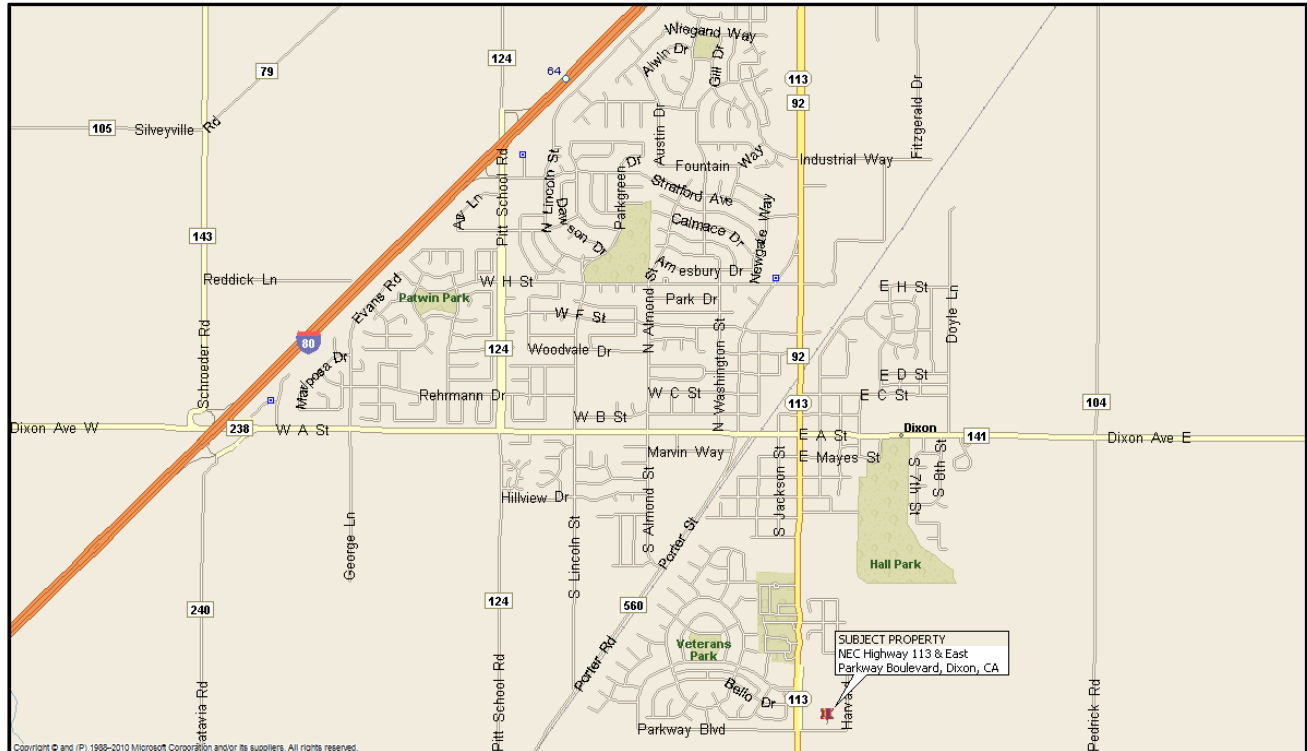
Education in Solano County includes six public school districts, each offering K-12 education to area residents, and Solano Community College, with campuses in Suisun City, Vacaville and Vallejo. In addition, several private schools operate throughout the county. Solano's public schools generally perform equal to better than the statewide averages in many regards.

Solano County has several opportunities for higher education. The California Maritime Academy is a four-year California State University located in Vallejo that prepares men and women for careers in maritime industries and related fields. Solano County Community College offers two-year programs in electronics, computer programming, industrial management, shipbuilding and other vocational and service fields. Touro University opened a College of Osteopathic Medicine and School of Health and Science on Mare Island in 1999. Outside the county, but within reasonable commuting distances, are the nearby University of California campuses at Berkeley and Davis, and California State University at Sacramento.

Conclusion

Solano County has a diversified economy and contributes significantly to California's overall economy. The county has a relatively lower cost of living compared to other regions closer to the San Francisco Bay Area, and has thus attracted businesses and residents relocating from costlier locations. After a period of contraction in the economy and real estate markets around 2008-2010, the region has seen improvement in employment and economic conditions over the past few years. The near-term outlook is for continued recovery and growth.

NEIGHBORHOOD



Introduction

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as “a group of complementary land uses; a congruous grouping of inhabitants, buildings or business enterprises.”³

Neighborhood Boundaries

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject property is located in the city of Dixon. The neighborhood boundaries can generally be described as Interstate 80 to the north and west, Pedrick Road to the east, and Parkway Boulevard to the south, which generally comprises the city of Dixon.

³ The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 156.

Demographics

According to ESRI, Dixon has a population of 19,296 people as of 2016. The city has 6,194 households yielding an average household size of 3.12 persons. Dixon has a median age of 33.9 years and a median household income is \$68,710. As of April 2017, Dixon's unemployment rate was 4.0%, which compared favorably to the rates of 4.7% for Solano County and 4.5% for the state of California. Over half of the housing units in Dixon were built in the 1980s.

Transportation

The city of Dixon is located along Interstate 80, a major east-west freeway connecting the area with the cities of Davis, West Sacramento and Sacramento to the east; and Vacaville, Fairfield and the San Francisco Bay Area to the west. The primary north-south thoroughfares in the area are Pitt School Road, N. First Street/Highway 113, and Pedrick Road. The primary east-west connectors are A Street and Midway Road. To the south, Highway 113 intersects with Highway 12, which provides access to Suisun City (west) and Rio Vista (east). While northbound Highway 113 terminates upon intersecting with Interstate 80, this highway continues north near Davis and travels to the city of Woodland.

The subject property is located about three miles south of the North 1st Street on- and off-ramps to Interstate 80. The subject has good access to all points in Dixon.

Land Uses

The land area around the subject is primarily devoted to single-family and community uses. The subject is located within the Valley Glen subdivision, where Pulte Homes developed 364 single-family homes and 102 multifamily units during the last expansionary period. At build out, Valley Glen is to include 735 single-family homes, in addition to the multifamily component; however, Pulte halted development after completion of the 364 homes. In 2009, Richland Communities, a Sacramento area developer/investor, acquired the 371 remaining undeveloped single-family lots from Pulte Homes. Richland held the land for several years until market conditions began to improve. In 2016 the subject's 110 lots were sold to Richmond American Homes and construction is currently underway.

A cemetery, Dixon High School, and Hall Memorial Park are located to the east of the subject along with another residential subdivision currently under development. To the south of the subject is the developed portion of the valley Glen subdivision, the southern city limit of Dixon, and agricultural uses.

Dixon is generally a rural, agricultural-based town. Growth in Dixon is constrained by the voter-imposed Measure B, which allows a maximum 3% growth rate in total housing units per year. The City Council updated the Dixon General Plan in 1993 and significantly increased the amount of land designated for planned business/industrial and highway commercial uses. The City has recently drafted a Housing Element Update for the years 2015-2023. In 2013 the City approved the necessary building permit allocations for the subject CFD.

Commercial development in Dixon is concentrated along the Interstate 80 corridor. At North First Street/Highway 113 is the North East Crossing shopping center, which is anchored by a Wal-Mart Supercenter and includes a Wendy's fast-food restaurant and strip retail buildings. A Jack in the Box fast-food restaurant and vacant land proposed for retail/office development are located west of the Wal-Mart center. Several gas stations are located in this area. Between Pitt School Road and North First Street, development south of Interstate 80 includes newer homes, an auto dealership, a business park and a boat dealership.

The area just south of Interstate 80 near Pitt School Road contains a high concentration of commercial uses. Several restaurants are located in this area, including IHOP, Denny's, Pizza Guys, Chevy's, and Mary's Pizza Shack. Several gas stations and fast-food restaurants are also located in this area. There are two hotels, Best Western and Microtel Inn & Suites. The Pitt School Plaza includes multiple in-line retail shops and eateries. The Dixon Plaza neighborhood shopping center is anchored by Safeway.

Commercial development is also located south of Interstate 80 at West A Street/Dixon Avenue. Establishments include a Super 8 Motel, Carl's Jr. fast-food restaurant, gas stations, a strip retail building, and produce stands.

South of Interstate 80 and Dorset Drive, Highway 113/North First Street contains several vacant parcels of land, as well as a variety of commercial and industrial uses such as automotive, equipment and construction-related facilities. A Walmart Supercenter is located north of Dorset Drive. Dixon Mini Storage, a Ford car dealership, Napa Auto Parts and Ace Hardware are located nearby. Further south is one of Dixon's main commercial corridors, which houses retailers such as Longs Drugs, Hometown Market, The Goodwill Store, Round Table Pizza and the Dixon Motel. Ultimately, southbound Highway 113 reaches Downtown Dixon, which has several office buildings, bank branches, the Dixon Public Library and other municipal buildings.

The city also includes some industrial and business parks. Business Park Drive, Industrial Way and Vaughn Road are the primary industrial corridors in the city. Kragen Auto Works, one of the largest industrial projects in the city, is situated along Vaughn Road. Industrial facilities along Highway 113/North First Street include Premier Packaging, Millard Tempering, AAA Body Shop, Valley Supply, Bellingham Marine Industries, Inc., Mike's Marine Boats/Accessories, and Dixon Hardware

and Lumber. Campbell Soup Supply Company has a large manufacturing plant along the east side of Pedrick Road in eastern Dixon.

Community Uses

Community uses in Dixon are typical of a small town and include schools, parks, churches and other cultural centers. The relatively recently constructed Dixon High School is situated immediately north of the subject property. The Dixon May Fairgrounds and Hall Memorial Park are also located just north of the subject. The City hosts the annual May Fair, which began in the late 1800s and is the longest continually running agriculture fair in California. A Kaiser Permanente medical facility is located nearby in Vacaville. The University of California at Davis is located about five miles northeast of Dixon. The University of California at Berkeley is located approximately 60 miles to the southwest.

Conclusion

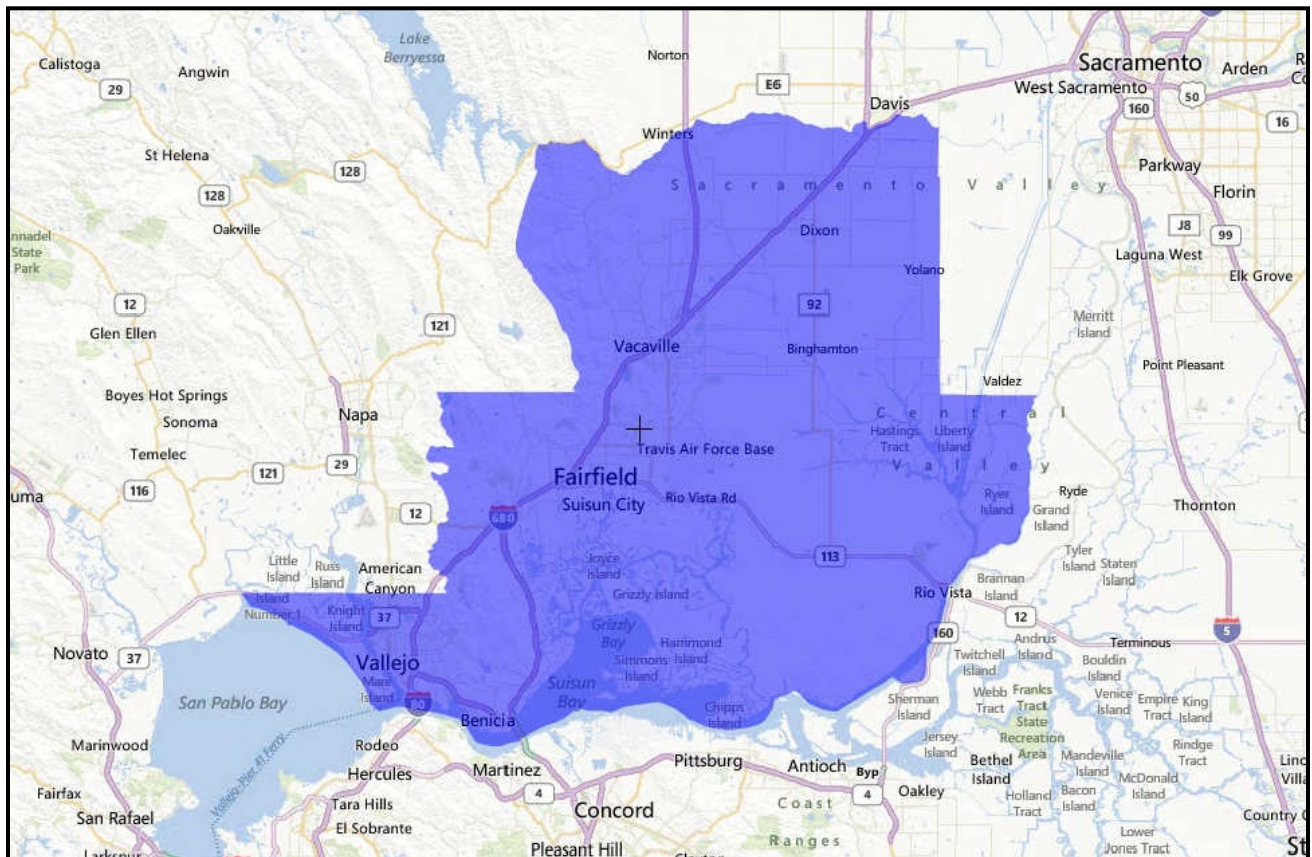
Dixon is a small town with a balanced mix of land uses. Land uses in the subject's immediate area are primarily characterized by newer single-family residential development and vacant land. Access to and from the subject neighborhood is good. Overall the subject's location is physically suitable for residential use.

RESIDENTIAL MARKET OVERVIEW

Market Definition

The subject property is located on the southeastern edge of the city of Dixon. The subject is adjacent to newer home construction and has good transportation linkages. The neighborhood is characterized as a suburban, commuter-oriented community, albeit some homebuyers work in Dixon. Historically, the city of Dixon can be described as a bedroom community for individuals working in the Bay Area, Sacramento and surrounding Solano County areas. The city has also retained a more rural residential character compared to other nearby communities by instituting a slow growth policy that limits the amount of building permits that are issued annually. Aside from the subject there is one other production home project located in Dixon, Newbury at Parklane. The project is planned for 96 units and as of the end of the first quarter 2017, 35 homes had been sold with the majority of transactions occurring within the quarter.

Dixon is part of the Vallejo-Fairfield Metropolitan Statistical Area (MSA), which is shown below. This MSA includes the cities of Vallejo, Fairfield, Vacaville, Dixon, Benicia, Rio Vista and Suisun City.



Single-Family Building Permits

In the following table, we summarize the number of single-family permits issued by the City of Dixon in recent years. The data show that single-family development has been limited in the past decade.

Building Permits – Dixon

<u>Year</u>	<u>Number of Single-family Permits</u>
2005	17
2006	45
2007	2
2008	2
2009	1
2010	1
2011	0
2012	1
2013	0
2014	23
2015	80
2016	43

Source: SOCDs Building Permits Database

Median Prices – New and Resale Prices Combined

According to DataQuick, as of April 2017 the median home price in Dixon (resale and new homes, detached and attached) was \$420,000, which was up 16.7% from the prior year. Solano County saw an increase of 11.9% for the same period.

Solano County New Home Market

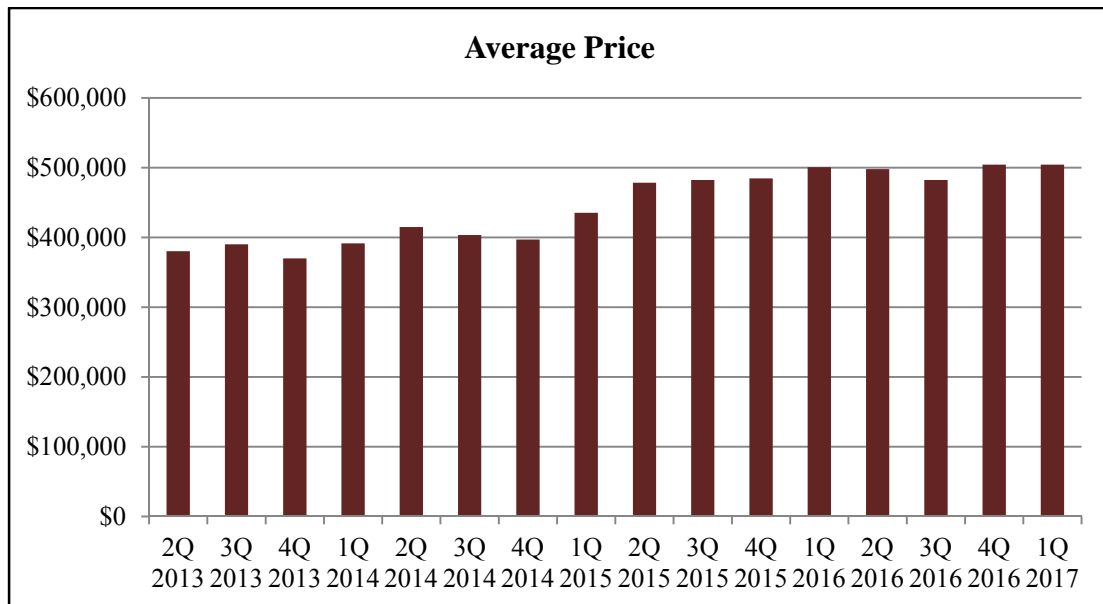
A table and chart depicting the pricing of active detached single-family residential projects in Solano County are provided on the following page. The data indicated in the table—like much of the data presented in this section of the report—was collected by The Gregory Group, a firm that publishes new home prices and absorption statistics. The data excludes information related to the estate home project Vintage Oaks, located in Fairfield, which offers million dollar homes on lots of 20,000+ square feet.

Detached New Homes – Solano County

<u>Quarter</u>	<u>Average Price</u>	<u>% Change Average Price</u>	<u>Average Home Size (SF)</u>	<u>Number of Projects</u>
2Q 2013	\$380,242	-	2,243	6
3Q 2013	\$390,193	2.6%	2,301	5
4Q 2013	\$370,103	-5.1%	2,162	5
1Q 2014	\$391,507	5.8%	2,282	9
2Q 2014	\$415,057	6.0%	2,404	9
3Q 2014	\$403,420	-2.8%	2,309	9
4Q 2014	\$396,967	-1.6%	2,259	10
1Q 2015	\$435,444	9.7%	2,368	12
2Q 2015	\$478,422	9.9%	2,545	18
3Q 2015	\$482,319	0.8%	2,536	19
4Q 2015	\$484,721	0.5%	2,536	19
1Q 2016	\$500,789	3.3%	2,582	20
2Q 2016	\$497,957	-0.6%	2,570	18
3Q 2016	\$482,319	-3.1%	2,536	19
4Q 2016	\$504,366	4.6%	5,242	14
1Q 2017	\$504,402	0.0%	2,417	16

Source: The Gregory Group

Detached New Homes – Solano County



Source: The Gregory Group

For new detached homes, an increase in prices can be seen in the first half of 2015 followed by relatively stable pricing. As of the First Quarter 2017, the average new home price for these projects was \$504,402.

As another indication of market conditions, we have analyzed the pro-rata absorption rate per project (total sales divided by total number of projects), which assumes each project captured its fair share of units. Over the last 12 months, projects in Solano County have averaged 3.9 sales per month. During the First Quarter of 2017, the average was 5.1 sales per month.

Detached New Homes – Solano County

<u>Quarter</u>	<u>Quarter Sales</u>	<u>Number of Projects</u>	<u>Sales per Project per Quarter</u>	<u>Sales per Project per Month</u>
2Q 2013	45	6	7.5	2.5
3Q 2013	34	5	6.8	2.3
4Q 2013	46	5	9.2	3.1
1Q 2014	90	9	10.0	3.3
2Q 2014	94	9	10.4	3.5
3Q 2014	74	9	8.2	2.7
4Q 2014	54	10	5.4	1.8
1Q 2015	159	12	13.3	4.4
2Q 2015	288	18	16.0	5.3
3Q 2015	234	19	12.3	4.1
4Q 2015	151	19	7.9	2.6
1Q 2016	194	20	9.7	3.2
2Q 2016	194	18	10.8	3.6
3Q 2016	234	19	12.3	4.1
4Q 2016	111	14	7.9	2.6
1Q 2017	244	16	15.3	5.1

Source: The Gregory Group

Dixon Resale Market

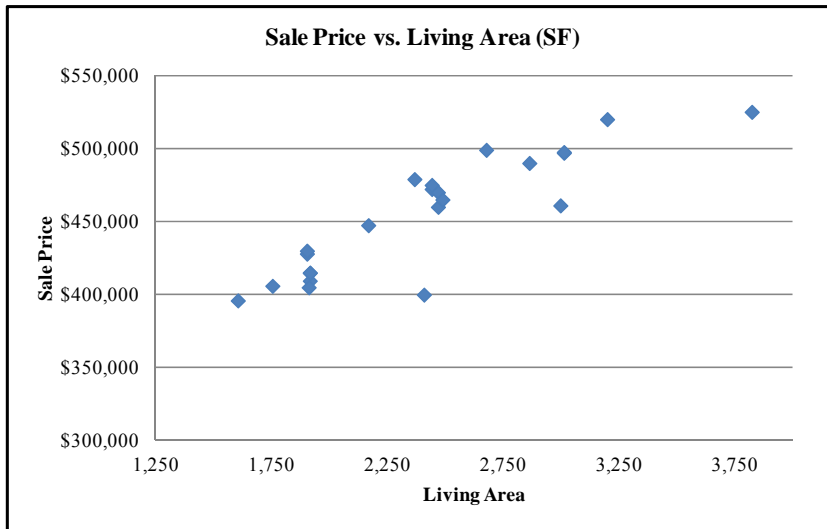
Resale prices during the past 12 months (June 5, 2016 – June 4, 2017) involving homes built in 2005 or later on lots containing at least 3,000 SF but less than 10,000 SF for Dixon are shown in the table and graph on the following page. The average dwelling size is 2,446 square feet at a price point of \$459,238, or \$193 per square foot.

Recent Re-sales – Dixon

Address	Sale Date	Living		Last List Price	Sale Price per SF	Sale/List	Lot		Days on Market
		Area (SF)	Sale Price				Size (SF)	Year Built	
1280 Dartmouth Circle	5/18/2017	2,169	\$447,500	\$445,000	\$206	100.6%	4,077	2014	98
1345 Bello Drive	5/4/2017	2,443	\$472,219	\$469,000	\$193	100.7%	7,131	2004	29
1455 Valley Glen Drive	5/4/2017	3,025	\$559,000	\$549,000	\$185	101.8%	8,573	2004	25
1285 Baylor Way	4/5/2017	1,917	\$409,500	\$416,500	\$214	98.3%	5,434	2015	53
1740 Belden Drive	4/5/2017	1,904	\$428,000	\$435,000	\$225	98.4%	7,662	2004	12
1645 Bello Drive	4/4/2017	2,443	\$475,000	\$475,000	\$194	100.0%	7,810	2004	85
1165 Dartmouth Circle	3/30/2017	1,917	\$415,000	\$414,900	\$216	100.0%	3,115	2015	46
2005 KingStreeton Drive	3/15/2017	2,368	\$479,000	\$479,000	\$202	100.0%	9,169	2004	42
1305 Baylor Way	3/10/2017	1,917	\$414,999	\$414,999	\$216	100.0%	3,006	2015	23
2180 Mariposa Drive	2/3/2017	2,998	\$461,000	\$459,000	\$154	100.4%	7,349	2004	182
2275 Mariposa Drive	1/6/2017	2,470	\$460,000	\$459,000	\$186	100.2%	7,802	2004	33
195 Rennert Way	12/8/2016	2,470	\$470,000	\$470,000	\$190	100.0%	7,000	2004	7
1295 Baylor Way	11/28/2016	1,755	\$406,000	\$410,000	\$231	99.0%	3,694	2015	28
965 Griffith Street	10/28/2016	3,013	\$497,000	\$524,950	\$165	94.7%	7,235	2004	75
940 Griffith Drive	10/14/2016	3,824	\$525,000	\$529,000	\$137	99.2%	7,068	2004	36
1120 Bello Drive	9/30/2016	3,013	\$497,500	\$504,900	\$165	98.5%	9,875	2004	45
960 Griffith Drive	9/26/2016	2,678	\$499,000	\$489,000	\$186	102.0%	7,745	2004	33
1620 Folsom Downs Circle	8/26/2016	1,904	\$430,000	\$435,000	\$226	98.9%	9,657	2004	82
1215 Valley Glen Drive	7/29/2016	2,409	\$400,000	\$410,000	\$166	97.6%	4,055	2004	64
500 Kings Court	7/28/2016	3,200	\$520,000	\$529,000	\$163	98.3%	8,490	2004	59
445 Kings Court	7/15/2016	1,912	\$405,000	\$410,000	\$212	98.8%	7,880	2004	71
1105 Bello Drive	6/23/2016	2,489	\$465,000	\$485,000	\$187	95.9%	8,490	2004	17
1605 Fanning Court	6/15/2016	1,606	\$396,000	\$396,000	\$247	100.0%	7,671	2004	27
2525 Duncan Street	6/7/2016	2,864	\$490,000	\$487,000	\$171	100.6%	8,621	2004	8
Total Sales - 24	Average	2,446	\$459,238	\$462,344	\$193	99.3%	7,025	2,006	49

Source: MLS

Recent Re-sales – Dixon



Source: MLS

As displayed in the table on the following page, for all single family homes in Dixon, MLS data suggests that resale prices have increased over recent years from \$146 per square foot in the second quarter of 2013 to a high of \$212 per square foot in the third quarter of 2016, with the most recent quarter at \$211 per square foot. Average days on the market have fluctuated over the period between 34 and 71 days. The table on the following page summarizes average sales information for the city over recent quarters.

Resale History – Dixon

<u>Quarter</u>	<u>Number of Sales</u>	<u>Average Home Size</u>	<u>Average Price</u>	<u>Average Price per SF</u>	<u>Average Days on Market</u>
2Q 2013	47	1,934	\$283,185	\$146	40
3Q 2013	57	1,893	\$314,421	\$166	37
4Q 2013	45	1,737	\$299,725	\$173	34
1Q 2014	36	1,882	\$347,642	\$185	42
2Q 2014	51	1,794	\$332,866	\$186	39
3Q 2014	57	1,709	\$327,150	\$191	44
4Q 2014	48	1,839	\$340,048	\$185	71
1Q 2015	37	1,902	\$338,143	\$178	68
2Q 2015	62	1,814	\$353,016	\$195	52
3Q 2015	65	1,801	\$367,072	\$204	43
4Q 2015	42	1,661	\$333,199	\$201	54
1Q 2016	35	1,798	\$354,262	\$197	59
2Q 2016	55	1,846	\$382,525	\$207	40
3Q 2016	49	1,845	\$391,912	\$212	44
4Q 2016	48	1,964	\$399,513	\$203	54
1Q 2017	38	1,974	\$416,132	\$211	54

Source: MLS

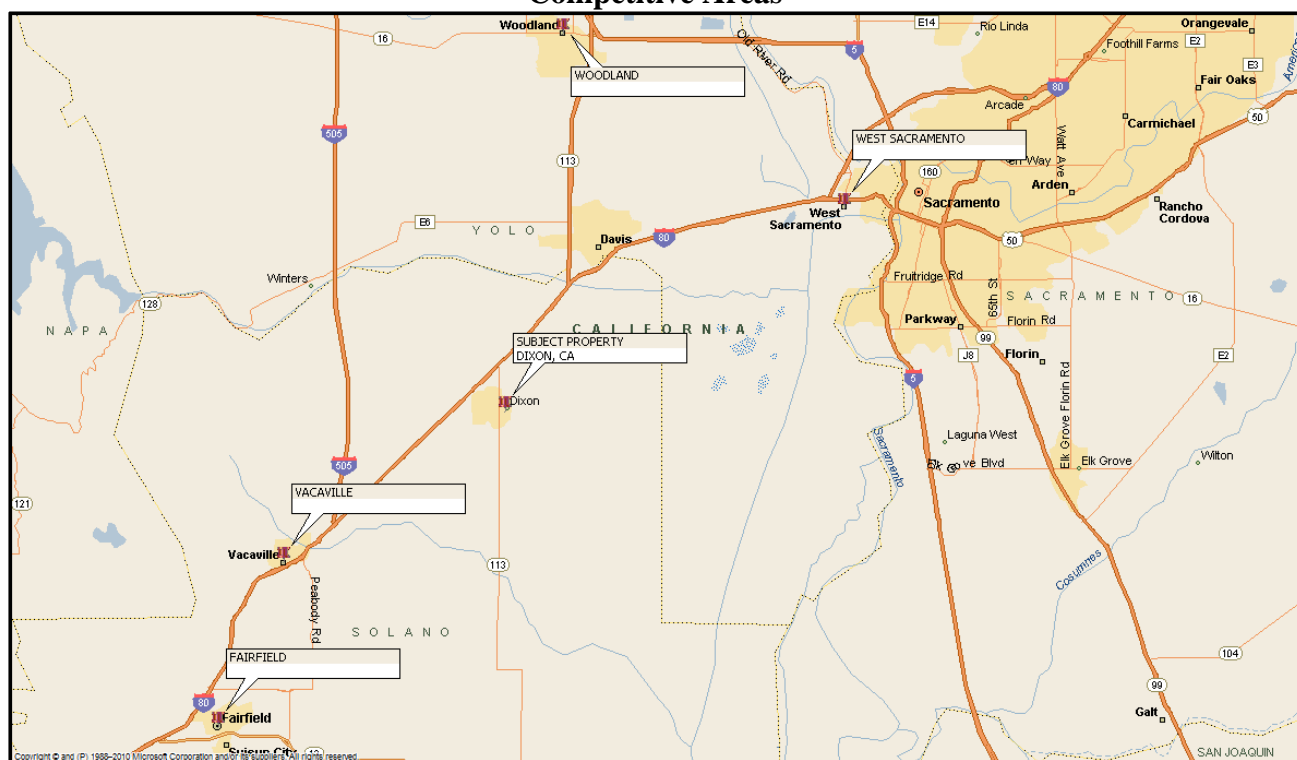
Subject Property

The subject has a typical lot size of 6,800 square feet. Richmond American Homes of Maryland, Inc. is offering five floor plans for the subject ranging in size from 2,056 to 3,030 square feet. Most of the homes are two stories, with one planned as a single-story. Each plan includes an attached garage. The product line is in line with home buyer demand preferences. Richmond American Homes of Maryland, Inc. is currently selling these floor plans as the Orchards at Valley Glen.

Competing Projects

We have analyzed similar projects from Fairfield and Vacaville to the west (Solano County), and Woodland and West Sacramento to the east (Yolo County), as indicators of achievable absorption for the subject. The map on the next page (which reflects the competitive areas) is followed by a table summarizing sales rates at active detached projects in these areas. The data includes new home projects having a typical lot size between 3,500 and 10,000 square feet.

Competitive Areas



Absorption Rates at Competing Projects

Project	Community	Builder	Average Price	Age, Home Size (SF)	Avg. Price/ Lot Size (SF)	Open Date	Units Planned	Units Offered	Units Sold	Units Unsold	1Q 2017 Sales		
Newbury	Dixon	DeNova Homes	\$443,500	2,533	\$175	5,500	6/11/16	96	40	35	5	27	
Orchards (Subject)	Dixon	Richmond American Homes	\$450,550	2,628	\$171	8,000	1/15/17	110	26	21	5	21	
Madison Park	Fairfield	Citation Northern	\$461,027	2,080	\$222	3,600	8/15/13	91	89	81	8	6	
Easthill at Brighton Landing	Vacaville	Woodside Homes	\$476,490	2,214	\$215	5,000	3/15/17	54	13	11	2	11	
Haven	Vacaville	Seeno Homes	\$490,673	2,470	\$199	4,000	3/21/15	115	90	87	3	16	
Redstone	Vacaville	Tri Pointe Homes	\$532,300	2,563	\$208	5,000	1/10/15	141	100	89	11	7	
Sterling Chateau	Vacaville	KB Home	\$502,500	2,452	\$205	6,500	1/17/15	54	54	54	0	2	
Tanridge at Brighton Landing	Vacaville	Woodside Homes	\$450,490	2,095	\$215	4,000	12/15/16	104	26	26	0	26	
Vanden Ranch	Vacaville	Meritage Homes	\$451,950	2,128	\$212	4,000	12/6/14	216	198	190	8	18	
Newport Meadows	West Sacramento	Discovery Homes	\$506,817	2,413	\$210	6,000	10/1/16	75	25	25	0	15	
The Crossing	West Sacramento	D.R. Horton	\$418,383	2,087	\$200	7,000	2/1/17	38	18	11	7	11	
Arabella	Woodland	D.R. Horton Homes	\$390,240	2,155	\$181	5,665	4/9/16	93	93	84	9	30	
Brookstone	Woodland	Lennar Homes	\$466,990	2,428	\$192	6,000	9/19/15	99	99	95	4	18	
Mayfair	Woodland	Meritage Homes	\$521,950	2,603	\$201	6,000	5/1/15	131	117	100	17	15	
Parkview	Woodland	Taylor Morrison Homes	\$414,833	2,251	\$184	5,000	5/31/14	108	108	107	1	4	
		Overall Minimum	\$390,240	2,080	\$171							Total	227
		Overall Maximum	\$532,300	2,628	\$222							No. of Projects	15
		Overall Average	\$465,246	2,340	\$199							Quarterly Sales per Project	15.1
												Monthly Sales per Project	5.0

Source: The Gregory Group

As shown, among the 15 projects, which includes the subject, the average absorption rate was 5.0 sales per month during the First Quarter of 2017.

On the following pages we provide more detailed information on the Newbury and Orchard projects located within Dixon (including the subject). The tabular data has been extracted directly from The Gregory Group’s website.

Newbury by DeNova Homes



PROJECT INFORMATION						AT A GLANCE						
Project Name Newbury Region North Bay County Solano Community Dixon				Average Price \$443,500 Average Sq Ft 2,533 Total Inventory 61 Standing Inventory 0				Qtr Sold 27 Qtr WSR 2.08 Tot WSR 0.83 Avg Incentives \$5,000				
Master Plan No Age Restricted No Project Phone (707) 640-1003 Sales Office Hours By Appointment				Open Date 06/11/16 Developer Name DeNova Homes Developer Phone (925) 685-0110 Product Type Detached Type Description Traditional Lot Size 5,500 Lot Dimension 55 x 100 Blue Top Lots N/A				Survey Date 4/1/17 Special Tax per Month \$200.00 HOA per Month \$0.00 Broker Coop 3.0% Special Incentives \$0 Project Density Model/Trailer Model				
GPS Coordinates N : 38.016522 W : 122.003947 Cross Street Finished Lots N/A												
PLAN DETAILS												
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room	
	2,100	\$418,000	\$199.05	\$5,000	\$413,000	\$196.67	3	2	1	2	None	
	2,590	\$447,000	\$172.59	\$5,000	\$442,000	\$170.66	3	2.5	2	3	Study, Loft	
	2,645	\$450,000	\$170.13	\$5,000	\$445,000	\$168.24	4	3	2	2	Loft	
	2,800	\$459,000	\$163.93	\$5,000	\$454,000	\$162.14	5	3	2	3	Loft	
SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 1/17	96	40	35	27	61	56	5	15	0.83	2.08	\$443,500	1.26
Qtr 4/16	96	20	8	2	88	76	12	20	0.28	0.15	\$437,975	- 3.84
Qtr 3/16	96	20	6	4	90	76	14	25	0.38	0.31	\$455,475	- 0.76
Qtr 2/16	96	14	2	2	94	82	12	0	1.00	0.15	\$458,950	0.00
COMMENTS												

Orchards by Richmond American Homes of Maryland, Inc. (Subject)



PROJECT INFORMATION				AT A GLANCE								
Project Name	Orchards	Average Price	\$450,550	Qtr Sold	21							
Region	North Bay	Average Sq Ft	2,628	Qtr WSR	1.62							
County	Solano	Total Inventory	89	Tot WSR	2.10							
Community	Dixon	Standing Inventory	0	Avg Incentives	\$8,000							
Master Plan	Valley Glen	Open Date	01/15/17	Survey Date	4/1/17							
Age Restricted	No	Developer Name	Richmond American Homes	Special Tax per Month	\$261.00							
Project Phone	(707) 416-60212	Developer Phone	(949) 467-2600	HOA per Month	\$0.00							
Sales Office Hours	Daily 10 - 5	Product Type	Detached	Broker Coop	3.0%							
GPS Coordinates	N : 38.436345 W : 121.828089	Type Description	Traditional	Special Incentives	\$0							
Cross Street		Lot Size	8,000	Project Density								
Finished Lots	N/A	Lot Dimension		Model/Trailer	Model							
Blue Top Lots	N/A											
PLAN DETAILS												
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room	
2,056		\$418,950	\$203.77	\$8,000	\$410,950	\$199.88	3	2.5	1	2	Study	
2,546		\$452,950	\$177.91	\$8,000	\$444,950	\$174.76	3	2.5	2	3	Loft	
2,717		\$448,950	\$165.24	\$8,000	\$440,950	\$162.29	4	2.5	2	2	Den, Loft	
2,793		\$458,950	\$164.32	\$8,000	\$450,950	\$161.46	3	2.5	2	2	Study, Loft	
3,030		\$472,950	\$156.09	\$8,000	\$464,950	\$153.45	4	2.5	2	3	Study, Loft	
SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 1/17	110	26	21	21	89	84	5	60	2.10	1.62	\$450,550	0.00
COMMENTS												

Ability to Pay

We estimate a typical floor plan at the subject would be comprised of 2,600 square feet and based on new home prices would correspond to a home price of \$470,000. In this section, we will examine the ability to pay among prospective buyers for a representative price point of \$470,000. First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 4.25%, 360 monthly payments, a tax rate of 1.111767% and estimated direct charges (including Special Taxes), as well as property insurance of 0.25%, and a 40% ratio for the total housing cost as a percent of monthly gross income. The following table shows the estimated annual household income that would be required to afford a home priced at \$470,000.

Income Requirement

Home Price	\$470,000
Loan % of Price (Loan to Value)	80%
Loan Amount	\$376,000
Interest Rate	4.250%
Mortgage Payment	\$1,850
Mortgage Payment % of Income	35%
Property Taxes	\$645
Property Insurance	\$98
Monthly Income	\$7,409
Annual Income	\$88,905

We have obtained income data from STDB for a 10-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. It is noted this geographic area is wider than the immediate neighborhood, which focuses on the subject's immediate location.

In the following table, we show the income brackets within a 10-mile radius, along with estimates of the number and percentage of households able to afford a \$470,000 home within each income bracket.

Ability to Pay

Household Income	Number of Households	Percent of Households	Percent Able to Pay	Households Able to Pay	Households Able to Pay
< \$15,000	6,487	12.8%	0.0%	-	0.0%
\$15,000 - \$24,999	4,356	8.6%	0.0%	-	0.0%
\$25,000 - \$34,999	4,212	8.3%	0.0%	-	0.0%
\$35,000 - \$49,999	5,620	11.1%	0.0%	-	0.0%
\$50,000 - \$74,999	7,713	15.2%	0.0%	-	0.0%
\$75,000 - \$99,999	5,913	11.7%	44.4%	2,624	5.2%
\$100,000 - \$149,999	8,347	16.5%	100.0%	8,347	16.5%
\$150,000 - \$199,999	4,267	8.4%	100.0%	4,267	8.4%
\$200,000 +	<u>3,666</u>	<u>7.2%</u>	100.0%	<u>3,666</u>	<u>7.2%</u>
	50,581	100%		18,904	37.3%

Source: Esri (household income)

Thus, the demographic data indicates that approximately 37.3% of households, or 18,904 households, within a 10-mile radius of the subject property meet the affordability requirements for conventional financing at the estimated price level.

Growth Management

Measure B was initially approved by voters in 1986 and again reaffirmed in 1996. The measure limits annual residential growth in the city to a number of dwelling units that is no more than 3% of the total number of housing units as of December 31 of the prior calendar year. In addition, Measure B is intended to increase and maintain an approximate mix of 80% single-family housing (including duplex units) and 20% multifamily units. The purpose of Measure B is to provide a balanced housing mix and a steady, controlled rate of annual growth. While the housing stock in 2000 consisted of 14% multifamily units, Measure B enables the City to enhance the mix of housing types by encouraging 20% multifamily units. The measure was also designed to ensure that City services and facilities would be adequate to serve the needs of existing and future residents.

Measure B allocations are given out on a first come, first served basis. Each year's allocation is determined around the first of December. In order for developers to afford to build, due to limited annual allocation, developers ask that their allocation be guaranteed through a development agreement. Although Measure B allocations may be assigned to projects in queue, typically there are two units each year that are available as infill.

The Development Agreement between the Developer's predecessor in interest and City indicated the Valley Glen development had 277 allocations in 2003, 123 allocations in 2004, 17 allocations in 2005, 45 allocations in 2006, zero allocations in 2007, 138 allocations in 2008, 152 allocations for 2009, and 85 allocations in 2010; however, in 2009 the then unused allocations reverted to the City's allocation pool. Pursuant to an amendment to the Development Agreement for Valley Glen approved by the City in 2014, allocations were reallocated for the then remaining 316 approved lots in Valley Glen (inclusive of the 110 lots in the CFD), as follows: 28 allocations in 2015, 78 allocations in 2016, 78 allocations in 2017, 78 allocations in 2018 and 54 allocations in 2019. Thus, with all of the planned lots within the development allocated, all necessary building permit allocations are available to the subject and no further permitting obstacles remain.

Areas of Growth in Dixon

Dixon has two specific plan areas—Southwest Dixon and the Northeast Quadrant—as well as the Southpark Planned Development, also known as Valley Glen which the subject is a portion of, and Parklane. Valley Glen, Parklane and Southwest Dixon include large residential components of the development, while the Northeast Quadrant Specific Plan is planned for commercial, light industrial and office development. Valley Glen, Parklane and Southwest Dixon include a variety of housing types to be developed at densities ranging from less than 2.0 units/acre to more than 24 units/acre.

The Valley Glen project is located in southeast Dixon and is generally bounded by West Cherry Street to the north, the Porter Road Retention Pond to the south, the Union Pacific Railroad to the

west and South First Street/State Highway 113 to the east. The site contains 194.1 gross acres planned for 837 residential units, including apartments, cluster homes with two or three units per building, and low and medium density single-family homes. A Development Agreement was approved by the City in November 2002 and several hundred homes have been built. The undeveloped portion of the project was sold by Pulte Homes to Richland Communities (a Sacramento area developer/investor) in December 2009. Richland marketed the subject property lots to merchant builders in March 2015. Reportedly it received insufficient offers at the time and later sold in August 2016 to Richmond American Homes.

The Southwest Dixon Specific Plan area consists of approximately 270 acres planned for 1,239 residential units, with approximately 60% of the land area planned for residential uses and the balance planned for commercial uses and public facilities. The Specific Plan is located west of Porter Road and east of Interstate 80. Residential uses range from low density single-family to townhomes, cluster homes and apartments. The Southwest Dixon Specific Plan was adopted by the City in 1995, but the site is mostly undeveloped and presently committed to agricultural uses. A plan revision has been proposed in recent years, which will require certification of a new Environmental Impact Report.

All of the projects noted above are subject to Measure B.

Conclusion

The following are key points from this section that are restated, in summary.

- Prices have increased over the past year for resale homes in Dixon, as well as new homes in nearby communities.
- Absorption rates at new home projects have been strong for the past couple of years.
- Builders are acquiring unimproved lots at desirable locations for near-term site development and construction due to a limited supply of finished lots.
- Given market activity in recent months, home and lot prices are anticipated to be steady to increasing into the foreseeable future.

HIGHEST AND BEST USE ANALYSIS

The term “highest and best use,” as used in this report, is defined as follows:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.⁴

Two analyses are typically required for highest and best use. The first analysis is highest and best use of the land as though vacant, and the second analysis is the highest and best use as improved. (Definitions of these terms are provided in the *Glossary of Terms* in the Addenda to this report.)

Highest and Best Use as Vacant

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

Legal Permissibility

The legal factors influencing the highest and best use of the subject properties are primarily government regulations, such as zoning and building codes. The subject parcels are zoned and approved for single-family development. The zoning and approved development are consistent with the General Plan designation. This area has undergone extensive planning and review. A rezone to any other land use is highly unlikely. Single-family residential development is the only legally permissible use.

Physically Possibility

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, offsite improvements, easements and soil and subsoil conditions. The legally permissible test has resulted in single-family residential development; at this point the physical characteristics are examined to see if they are suited for the legally permissible use.

The physical characteristics of the subject property support development. All utilities are available to the perimeter of the site, with offsite improvements in place. The subject is not located in an adverse earthquake zone, and while portions of the subject site are within Flood Zone A, site development and processes are underway and planned to provide adequate flood protection. Surrounding land

⁴ The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 109.

uses are compatible and/or similar. Development on adjacent properties provide support that soils are adequate for development.

Financial Feasibility

Financial feasibility depends on supply and demand influences. As shown by the extraction analysis presented later in this report, the subject's underlying land value relative to anticipated home prices and costs is positive, which suggests that development is financially feasible. Further, over the last 12 months homebuilders have acquired improved projects like the subject across the region, which provides additional support. Strong land speculation by merchant builders has led to land prices that have outpaced current home prices, which reflects that builders, when making land purchase decisions, are speculating that home prices will increase.

Maximum Productivity

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property as vacant. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, single-family residential development is the only economic use that is legally permissible, physically possible and financially feasible. The maximally productive use of the subject property, and thus its highest and best use, as vacant, is to assemble the subject parcels for the development of a balanced single-family project. The probable buyer of the subject, in bulk, is a production homebuilder intending to build median income level homes.

Highest and Best Use as Improved

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

The subject currently consists of a mixture of finished homes, improved lots with home construction in various stages, and improved vacant lots. Currently, it is considered reasonable to continue single-family residential development, as dictated by demand. The improvements provide contributory value and are generally judged to be in average condition so demolition is not considered appropriate at this time. Conversion is not currently possible given the planned land uses. Renovation is not warranted, as the improvements are new or nearly new. Expansion of improvements as not possible as the lots are improved. The highest and best use of the subject, as improved, is for continuation of its development of single-family residential units, as dictated by demand.

Probable User/Buyer

In conjunction with the definition of market value, this appraisal assumes a hypothetical sale of the subject properties to a probable buyer/user, as of the date of value. The subject is considered to have good appeal to homebuilders, as individual residential lots.

APPROACHES TO VALUE

The valuation process is a systematic set of procedures an appraiser follows to provide answers to a client's questions about real property value.⁵ This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison and income capitalization approaches. Two additional approaches—extraction and discounted cash flow analysis—are also applicable. Each approach to value is briefly discussed and defined as follows:

Cost Approach

The cost approach is based on the premise that no prudent buyer would pay more for a particular property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility. Thus, this approach to value relates directly to the economic principle of substitution, as well as supply and demand. The cost approach is most applicable when valuing properties where the improvements are new or suffer only a minor amount of accrued depreciation, and is especially persuasive when the site value is well supported. The cost approach is also highly relevant when valuing special-purpose or specialty properties and other properties that are not frequently exchanged in the market. The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.⁶

Sales Comparison Approach

The sales comparison approach is based on the premise that the value of a property is directly related to the prices being generated for comparable, competitive properties in the marketplace. Similar to the cost approach, the economic principles of substitution, as well as supply and demand are basic to the sales comparison approach. This approach has broad applicability and is particularly persuasive when there has been an adequate volume of recent, reliable transactions of similar properties that indicate value patterns or trends in the market. When sufficient data are available, this approach is the most direct and systematic approach to value estimation. Typically, the sales comparison approach is most pertinent when valuing land, single-family homes and small, owner-occupied commercial and office properties.

⁵ The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 109.

⁶ The Dictionary of Real Estate Appraisal, 243.

The definition of the sales comparison approach is offered as follows:

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.⁷

Income Capitalization Approach

The income capitalization approach is based on the premise that income-producing real estate is typically purchased as an investment. From an investor's point of view, the potential earning power of a property is the critical element affecting value. The concepts of anticipation and change, as they relate to supply and demand issues and substitution, are fundamental to this valuation approach. These concepts are important because the value of income-producing real estate is created by the expectation of benefits (income) to be derived in the future, which is subject to changes in market conditions. Value may be defined as the present worth of the rights to these future benefits. The validity of the income capitalization approach hinges upon the accuracy of which the income expectancy of a property can be measured.

Within the income capitalization approach there are two basic techniques that can be utilized to estimate market value. These techniques of valuation are direct capitalization and yield capitalization.

Direct Capitalization: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only one year's income is used. Yield and value changes are implied, but not explicitly identified.⁸

Yield Capitalization: A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.⁹

The definition of the income capitalization approach is offered as follows:

Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.¹⁰

⁷ The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 207.

⁸ The Dictionary of Real Estate Appraisal, 65.

⁹ The Dictionary of Real Estate Appraisal, 251.

¹⁰ The Dictionary of Real Estate Appraisal, 115.

Extraction

The definition of the extraction is offered as follows:

A method of estimating land value in which the depreciated cost of the improvements on an improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land.¹¹

Discounted Cash Flow (DCF) Analysis

A discounted cash flow analysis is a procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.¹²

In the case of subdivision land, there is no reversion. The four main components of a discounted cash flow analysis are listed as follows:

- **Revenue** – the total gross income derived from the disposition of the subject components.
- **Absorption Analysis** – the time frame required to sell-off the components. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with the sell-off of the components are calculated in this section – including administration, marketing and commission costs and property taxes.
- **Discount Rate** – the appropriate discount rate is derived in this portion of the analysis employing a variety of data.

¹¹ The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 83.

¹² The Dictionary of Real Estate Appraisal, 59.

APPRAISAL METHODOLOGY

The valuation of the subject includes the underlying land and the value of finished homes as well as the consideration to permits pulled for homes under construction; however, the valuation gives no consideration to partially completed homes. For the valuation of the finished homes we utilize the sales comparison approach to analyze the existing floor plans. In the valuation of the subject's lots we utilize the sales comparison approach and extraction analysis. In the sales comparison approach, adjustments are applied to the prices of comparable bulk lot transactions. Then, as a support of reasonableness, we utilize an extraction analysis, which is reconciled with the sales comparison approach and a market value for the subject's lots is concluded. In addition, as noted above, we have been asked to exclude any contributory value of unfinished homes, but consider the value of permits and fees paid for lots with construction underway or not yet begun.

The cost and income capitalization approaches to value were not considered applicable to the valuation of the subject property, since the subject represents vacant land and limited extended income producing potential. However, as part of the extraction analysis, home and site development costs were taken into account.

MARKET VALUATION – COMPLETED SINGLE-FAMILY HOMES

The subject includes three finished model homes. As requested, we will estimate the market value of the finished homes, as of the date of value, June 6, 2017. To do so, we will employ the sales comparison approach to value the floor plans.

The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace. In the sales comparison approach, the market value of the subject lots will be estimated by a comparison to similar properties that have recently sold, are listed for sale or are under contract.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), “*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

The objective of the analyses is to estimate the base value of each floor plan, net of incentives, upgrades and lot premiums. Base price pertains to the typical lot size within the subject. The sales comparison approach to value is employed in order to establish the market values for each floor plan. The floor plans are summarized in the following table.

Floor Plan	Living	Room Count		Stories	Garage
	Area (SF)	Bedroom	Bathroom		
Hemingway	2,717	4	2.5	Two	2 Car
Andrea	2,793	3	2.5	Two	2 Car
Seth	3,030	4	2.5	Two	3 Car

The comparable sales are summarized in the following table.

No.	Location	Date	Sale Price	Living	Room Count		Lot
				Area (SF)	Bedroom	Bathroom	Size (SF)
1	420 Heritage Lane, Dixon	4/5/2017	\$440,000	2,648	4	3.0	5,249
2	300 Heritage Lane, Dixon	5/19/2017	\$448,900	2,590	3	2.5	5,001
3	350 Heritage Lane, Dixon	4/6/2017	\$454,900	2,590	3	2.5	5,005
4	1455 Valley Glen Drive, Dixon	5/4/2017	\$559,000	3,025	5	4.0	8,573

Discussion of Adjustments

In order to estimate the market values for the subject floor plans, the comparable transactions were adjusted to reflect the subject with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for each unit follows.

Special Taxes

We consider the Special Taxes of the comparables over the bond term to estimate a bond obligation amount. While bond interest rates may vary somewhat, for approximation purposes, we utilize a 4.5% discount rate. Based on information from the Special Tax Consultant, the estimated present value of the subject's annual special tax obligation over the bond term is estimated. We will adjust for the difference in bond encumbrance between the comparables and the subject; whereby, a comparable with a higher net present value bond encumbrance is considered inferior when compared to the subject, and vice versa.

Upgrades and Incentives

The objective of the analysis is to estimate the base value per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. Incentives and upgrades included in the sales have been considered and adjusted for in this analysis.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No adjustments were required for this factor.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding

The comparables did not involve any non-market or atypical conditions of sale. Adjustments for this factor do not apply.

Market Conditions (Date of Sale, Phase Adjustment)

The market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a neighborhood, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

According to conversations with on-site sales agents, new home pricing has been relatively stable in the subject's competitive market area over the period of these transactions; therefore, no adjustment for market conditions is warranted.

Location

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user. The comparables are located within the city of Dixon and no adjustments are warranted for this category.

Lot Size

The lot size adjustment pertains to the differences between the subjects' typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The amount of the adjustment used in the comparison of the base lot sizes comes from a survey of premiums paid for larger lots. Considering the average lot size adjustments factors indicated by the comparable sales utilized in this analysis, a lot size adjustment factor of \$7.00/SF is considered reasonable for the subjects' residential lots. This figure is supported by our observations of sales in the subject's market area. It is noted adjustments within the same subject community are not necessary when lot premiums are identified.

Lot Premiums

Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Adjustments for lot position premiums would be in addition to lot size adjustments previously considered. Based on information provided by on-site sales agents an adjustment for lot premiums is not necessary for these sales.

Design and Appeal/Quality of Construction

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices. The comparables are similar to the subject in regard to design and appeal.

Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit. In terms of quality of construction, the subject represents good construction quality. All of the comparable sales feature similar construction quality and do not require adjustments.

Age/Condition

When comparing resale to resale, the market generally reflects a difference of 1% per year of difference in effective age. We have applied a similar adjustment factor to the estimated effective age of the comparable sales. Most of the sales represent new construction with a similar effective age as the subject and do not require adjustments; however, Sale 4 represents the resale of a property constructed in 2004. Therefore, we have applied appropriate upward adjustment to the comparable sale.

Functional Utility

The appraised properties and comparables represent traditional detached single-family residential construction on similar lot size categories as the subject. Adjustments for this factor do not apply.

Room Count

For similar size units the differences between room count is a buyer preference. One buyer might prefer two bedrooms and a den versus a three-bedroom unit. Extra rooms typically result in additional building area and are accounted for in the size adjustment. Therefore, no adjustments are made for number of total rooms or bedrooms. Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. The adjustment is based on an amount of \$5,000 per fixture (or half-bath) and is supported by cost estimates for a good quality home in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Considering the fact that plumbing upgrades for existing bathrooms generally range from \$5,000 to over \$25,000 for the various fixtures, the \$5,000 per fixture, or half-bath, is supported. Consequently, a factor of \$10,000 per full bath is also applied in our analysis.

Unit Size/Living Area

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or two-story designs, number of bathrooms and number of garage spaces were generally similar in these comparisons, in order to avoid other influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded.

The typical range indicated by the paired units in this analysis generally demonstrated a value range from approximately \$50 to upwards of \$100 per square foot. Considering the information cited above, a factor of \$60 per square foot is concluded to be appropriate and reasonable for the difference in living area between the subject and the comparables, given the quality of the product.

Number of Stories

For similar size units, the differences between the number of stories is a buyer preference. One buyer might prefer a single-story versus a two-story unit. Typically, more stories result in additional building area and are accounted for in the size adjustment. Adjustments for this factor are not warranted.

Parking/Garage

Two of the subject floor plans and the comparable sales offer similar parking / garage features and, therefore, do not require adjustment for this characteristic. The subject's Seth floor plan offers a three car garage while the comparables offer a two car garage and are therefore adjusted upward.

Other

Comparable 4 includes an in ground pool and 600 square foot pool house with plumbing and fixtures and is adjusted downward. The remaining sales did not include any other significant amenities or differences that would warrant further adjustment.

Adjustment Grids

The following pages include grids reflecting the aforementioned adjustments.

ADJUSTMENT GRID - ORCHARDS AT VALLEY GLEN

Project Information:		Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Valley Glen	Newbury at Parklane		Newbury at Parklane		Newbury at Parklane	
Plan		Hemingway	Residence 2		Residence 3		Residence 3	
Address/Lot Number		Model	420 Heritage Lane, Dixon		300 Heritage Lane, Dixon		350 Heritage Lane, Dixon	
City/Area		Dixon	Dixon		Dixon		Dixon	
Price		N/Ap		\$440,000		\$448,900		\$454,900
Price Per SF		N/Ap	\$166.16		\$173.32		\$175.64	
Special Taxes (PV at 4.5%)		\$38,629		\$19,489		\$6,411		\$19,489
Adjustment				(\$19,140)		(\$32,218)		(\$19,140)
Adjusted Price (Including Bonds)				\$420,860		\$416,682		\$435,760
Total Consideration per SF			\$158.94		\$160.88		\$168.25	
Data Source			Public Records		Public Records		Public Records	
Incentives		N/Ap	No		No		No	
Upgrades		Base	Upgrades	(\$44,000)	None		None	
Effective Base Sales Price				\$376,860		\$416,682		\$435,760
Adjustments:	Factor		Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights			Fee Simple	Similar	Similar		Similar	
Financing Terms			Cash Equivelant	Similar	Similar		Similar	
Conditions of Sale			Market	Market	Market		Market	
Market Conditions								
Date of Sale		MV 6/6/17	4/5/2017		5/19/2017		4/6/2017	
Phase Adjustment		N/Ap						
New Incentive Adjustment		N/Ap						
Project Location		Dixon	Dixon		Dixon		Dixon	
Community Appeal		Average	Similar		Similar		Similar	
Lot Size	\$7.00	9,781	5,249	\$31,724	5,001	\$33,460	5,005	\$33,432
Lot Premium		N/Ap	None		None		Similar	
Design and Appeal		Average	Similar		Similar		Similar	
Quality of Construction		Good	Similar		Similar		Similar	
Age (Total/Effective)		New	Similar		Similar		Similar	
Condition		Good/New	Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar	
Room Count								
Bedrooms		4	4		3		3	
Baths	\$10,000	2.5	3	(\$5,000)	2.5		2.5	
Living Area (SF)	\$60.00	2,717	2,648	\$4,140	2,590	\$7,620	2,590	\$7,620
Number of Stories		Two	One		Two		Two	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Garage		2 Car	2 Car		2 Car		2 Car	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar	
Fireplace(s)		Yes	Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar	
Other		None	Similar		Similar		Similar	
Gross Adjustments				\$40,864		\$41,080		\$41,052
Net Adjustments				\$30,864		\$41,080		\$41,052
Adjusted Retail Value				\$407,724		\$457,762		\$476,812
Concluded Retail Value				\$460,000				
Indicated Value Per SF				\$169.30				

The subject model home (Hemingway) is situated on a 9,781 square foot lot. Each of the comparables has a substantially smaller lot size, accounting for the most substantial adjustments. Although upgrades are typical in model homes most homebuilders are only able to recapture a fraction of the value due to the upgrades at the time of sale. Due to the larger lot size the value for the subject home is concluded to be towards the upper end of the range of values.

ADJUSTMENT GRID - ORCHARDS AT VALLEY GLEN

Project Information:		Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Valley Glen	Newbury at Parklane		Newbury at Parklane		Newbury at Parklane	
Plan		Andrea	Residence 2		Residence 3		Residence 3	
Address/Lot Number		Model	420 Heritage Lane, Dixon		300 Heritage Lane, Dixon		350 Heritage Lane, Dixon	
City/Area		Dixon	Dixon		Dixon		Dixon	
Price		N/Ap		\$440,000		\$448,900		\$454,900
Price Per SF		N/Ap	\$166.16		\$173.32		\$175.64	
Special Taxes (PV at 4.5%)		\$41,537		\$19,489		\$6,411		\$19,489
Adjustment				(\$22,048)		(\$35,125)		(\$22,048)
Adjusted Price (Including Bonds)				\$417,952		\$413,775		\$432,852
Total Consideration per SF			\$157.84		\$159.76		\$167.12	
Data Source			Public Records		Public Records		Public Records	
Incentives		N/Ap	No		No		No	
Upgrades		Base	Upgrades	(\$44,000)	None		None	
Effective Base Sales Price				\$373,952		\$413,775		\$432,852
Adjustments:	Factor		Description	+/(-)	Description	+/(-)	Description	+/(-)
Property Rights		Fee Simple	Similar		Similar		Similar	
Financing Terms		Cash Equivalent	Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market	
Market Conditions								
Date of Sale		MV 6/6/17	4/5/2017		5/19/2017		4/6/2017	
Phase Adjustment		N/Ap						
New Incentive Adjustment		N/Ap						
Project Location		Dixon	Dixon		Dixon		Dixon	
Community Appeal		Average	Similar		Similar		Similar	
Lot Size	\$7.00	10,928	5,249	\$39,753	5,001	\$41,489	5,005	\$41,461
Lot Premium		None	None		None		Similar	
Design and Appeal		Average	Similar		Similar		Similar	
Quality of Construction		Good	Similar		Similar		Similar	
Age (Total/Effective)		New	Similar		Similar		Similar	
Condition		Good/New	Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar	
Room Count								
Bedrooms		3	4		3		3	
Baths	\$10,000	2.5	3	(\$5,000)	2.5		2.5	
Living Area (SF)	\$60.00	2,793	2,648	\$8,700	2,590	\$12,180	2,590	\$12,180
Number of Stories		Two	One		Two		Two	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Garage		2 Car	2 Car		2 Car		2 Car	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar	
Fireplace(s)		Yes	Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar	
Other		None	Similar		Similar		Similar	
Gross Adjustments				\$53,453		\$53,669		\$53,641
Net Adjustments				\$43,453		\$53,669		\$53,641
Adjusted Retail Value				\$417,405		\$467,444		\$486,493
Concluded Retail Value				\$470,000				
Indicated Value Per SF				\$168.28				

The subject model home (Andrea) is situated on a 10,928 square foot lot. Each of the comparables has a substantially smaller lot size, accounting for the most substantial adjustments. Although upgrades are typical in model homes most homebuilders are only able to recapture a fraction of the value due to the upgrades at the time of sale. Due to the larger lot size the value for the subject home is concluded to be towards the upper end of the range of values.

ADJUSTMENT GRID - ORCHARDS AT VALLEY GLEN

Project Information:		Subject Property	Comparable No. 1	Comparable No. 2	Comparable No. 4		
Project Name		Valley Glen	Newbury at Parklane	Newbury at Parklane	Valley Glen		
Plan		Seth	Residence 2	Residence 3	N/Av		
Address/Lot Number		Model	420 Heritage Lane, Dixon	300 Heritage Lane, Dixon	1455 Valley Glen Drive, Dixon		
City/Area		Dixon	Dixon	Dixon	Dixon		
Price		N/Av		\$440,000	\$448,900		
Price Per SF		N/Av	\$166.16	\$173.32	\$184.79		
Special Taxes (PV at 4.5%)		\$41,537		\$19,489	\$6,411		
<i>Adjustment</i>			(\$22,048)		(\$35,125)		
Adjusted Price (Including Bonds)			\$417,952	\$413,775	\$517,463		
Total Consideration per SF			\$157.84	\$159.76	\$171.06		
Data Source			Public Records	Public Records	Public Records		
Incentives		N/Av	No	No	No		
Upgrades		Base	Upgrades (\$44,000)	None	None		
Effective Base Sales Price			\$373,952	\$413,775	\$517,463		
Adjustments:	Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights		Fee Simple	Similar	Similar		Similar	
Financing Terms		Cash Equivelant	Similar	Similar		Similar	
Conditions of Sale		Market	Market	Market		Market	
Market Conditions							
Date of Sale		MV 6/6/17	4/5/2017	5/19/2017		5/4/2017	
Phase Adjustment		N/Av					
New Incentive Adjustment		N/Av					
Project Location		Dixon	Dixon	Dixon		Dixon	
Community Appeal		Average	Similar	Similar		Similar	
Lot Size	\$7.00	10,998	5,249	\$40,243	\$41,979	8,573	\$16,975
Lot Premium		None	None	None		Similar	
Design and Appeal		Average	Similar	Similar		Similar	
Quality of Construction		Good	Similar	Similar		Similar	
Age (Total/Effective)		New	Similar	Similar		13/8 years 8%	\$41,397
Condition		Good/New	Similar	Similar		Similar	
Functional Utility		Average	Similar	Similar		Similar	
Room Count							
Bedrooms		4	4	3		5	
Baths	\$10,000	2.5	3	2.5		4	(\$15,000)
Living Area (SF)	\$60.00	3,033	2,648	\$23,100	\$26,580	3,025	\$480
Number of Stories		Two	One	Two		One	
Heating/Cooling		Central/Forced	Similar	Similar		Similar	
Garage		3 Car	2 Car	\$5,000	\$5,000	2 Car	\$5,000
Landscaping		Front	Similar	Similar		Similar	
Pool/Spa		None	Similar	Similar		Pool	(\$25,000)
Patios/Decks		Patio	Similar	Similar		Similar	
Fencing		Rear	Similar	Similar		Similar	
Fireplace(s)		Yes	Similar	Similar		Similar	
Kitchen Equipment		Average	Similar	Similar		Similar	
Other		None	Similar	Similar		Pool house	(\$30,000)
Gross Adjustments				\$73,343	\$73,559		\$133,852
Net Adjustments				\$63,343	\$73,559		(\$6,148)
Adjusted Retail Value				\$437,295	\$487,334		\$511,315
Concluded Retail Value						\$490,000	
Indicated Value Per SF						\$161.56	

Differences in lot size and square footage account for substantial adjustments within the data set. In addition, Comparable 4 is not a new home and required substantial adjustment for age as well as for its in ground pool and pool house. Although upgrades are typical in model homes most homebuilders are only able to recapture a fraction of the value due to the upgrades at the time of sale. Due to the larger lot size the value for the subject home is concluded to be towards the upper end of the range of values

Conclusion of Home Values

Based on the analysis herein, the market value conclusions for the homes are summarized in the following table.

Retail Floor Plan Value	
Hemingway	\$460,000
Andrea	\$470,000
Seth	<u>\$490,000</u>
Total	\$1,420,000

The values above will be utilized in the value conclusion at the end of this Appraisal Report.

MARKET VALUATION – SINGLE-FAMILY RESIDENTIAL LOTS

In this section of the report, we will utilize the sales comparison approach to estimate the market value of the subject's improved lots. The estimate of value assumes the lots would sell on a bulk, or wholesale, basis, in one transaction to a single buyer. The typical lot size for the subject is 6,800 square feet which will be utilized for the purpose of analysis.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), “*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the subject property. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

On the following page, we have arrayed comparable sales that have occurred in the region. The summary table is accompanied by a map and followed by details of each comparable. The basis of analysis is price per lot.

COMPARABLE BULK LOT SALES SUMMARY

No.	Location	Sale Date	Sale Price	No. of Lots	Typical Lot Size (SF)	Sale Price Per Lot
1	Valley Glen (portion) - Subject Along W. Cherry Street, West of S. 1st Street Dixon, Solano County	Aug-16	\$6,050,000	110	6,700	\$55,000 Blue-top and Improved Lots
2	Marshall Crossing (portion) Stable Drive West Sacramento, Yolo County	Jun-16	\$4,750,000	38	6,775	\$125,000 Improved
3	Green Valley Village N/S Business Center Drive W/O Green Valley Road Fairfield, Solano County	Mar-16	\$8,000,000	95	3,192	\$84,211 Unimproved lots
4	Sun Grove 8365 Poppy Ridge Road Elk Grove, Sacramento County	Jan-16	\$6,450,000	86	5,500	\$75,000 Unimproved lots
5	Village Oaks 3933 Suisun Valley Road Fairfield, Solano County	Sep-15	\$2,875,000	38	3,484	\$75,658 Unimproved lots
6	Sandra Estates S/S Alaska Avenue @ Pennsylvania Avenue Fairfield, Solano County	Apr-15	\$1,495,000	26	8,000	\$57,500 Par. Imp. Lots

COMPARABLE BULK LOT SALES MAP



COMPARABLE 1

Property Identification

Project Name	Valley Glen (portion of) - Subject
Location	Along W. Cherry Street, West of S. 1 st Street
APN	0114-033-250, 0114-033-260, and 0114-291-010 through 0114-291-040
City	Dixon
County	Solano County

Sale Data

Grantor	Rich Haven-Visser, LLC
Grantee	Richmond American Homes of Maryland, Inc.
Sale Date	08/31/2016
Deed Book Page	74755
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash equivalent
Sale Price	\$6,050,000
Annual Special Assessments per Lot	\$2,270 (weighted avg.)

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	110
Development Status at Sale	106 Blue top and 4 Finished (see remarks)
Typical Lot Size (SF)	6,800

Indicators (per Lot)

Sale Price	\$55,000
Site Development Costs	\$40,000
Permits and Fees	\$53,000

Remarks

This transaction represents the prior sale of the subject property. The sale consisted of 110 lots with 106 in blue top condition and four finished, comprising 23.09 acres within the Valley Glen residential subdivision. The typical lot size for the project is 6,800 square feet. At the time of sale it was intended that the property would be included within a Community Facilities District with the seller to receive reimbursements from bond proceeds estimated at \$32,000 per lot.

COMPARABLE 2

Property Identification

Project Name	Marshall Crossing (portion of)
Location	Stable Drive
APN	045-861-005et. al.
City	West Sacramento
County	Yolo County

Sale Data

Grantor	Marshall Crossing, LLC
Grantee	D.R. Horton Bay, Inc.
Sale Date	06/29/2016
Deed Book Page	17474
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash equivalent
Sale Price	\$4,750,000
Annual Special Assessments per Lot	\$0

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	38
Development Status at Sale	Improved lots (see remarks)
Typical Lot Size (SF)	6,741 (average)

Indicators (per Lot)

Sale Price	\$125,000
Site Development Costs	\$ 2,110 (see remarks)
Permits and Fees	\$ 45,000 (est.)

Remarks

This transaction consisted of 38 finished lots in the Marshall Crossing subdivision located along Stable Drive, north of Marshall Road, west of Jefferson Boulevard. In total, the Marshall Crossing subdivision encompasses 25 acres and 82 single-family residential lots. This transaction consists of 38 finished lots. Reportedly approximately \$80,198 (total) in lot rehabilitation (i.e., removal of model home parking, finish grading, erosion control, removal and replacement of driveways, sidewalk repair, etc.), or about \$2,110 per lot, is required prior to vertical construction.

BULK LOT SALE 3

Property Identification

Project Name	Green Valley Village
Location	N/S Business Center Drive W/O Green Valley Road
APN	0148-280-500
City	Fairfield
County	Solano

Sale Data

Grantor	Lewis Land Developers, LLC
Grantee	TRI Pointe Homes, Inc.
Sale Date	3/28/2016
Deed Book Page	23826
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$8,000,000
Annual Special Assessments per Lot	\$0

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	95 (based on existing entitlements)
Land Area (Acres)	11.69
Density (Units per Acre)	8.1 units per acre
Development Status at Sale	Unfinished lots
Typical Lot Size	3,192 SF

Indicators (per Lot)

Sale Price	\$84,211
Site Development Costs	\$47,090
Permits and Fees	\$55,000

Remarks

This transaction represents the recent purchase of the subject property. The property had an approved Tentative Subdivision Map for 95 residential lots with a typical lot size of 3,192 square feet at a density of 8.1 units per gross acre. Tri Pointe Homes plans to construct three floor plans at the site ranging in size from 1,821 to 2,409 square feet. The property was planned for participation in a California Statewide Communities Development Authority Assessment District for the bond funding of \$12,729 of required impact fees.

COMPARABLE 4

Property Identification

Project Name	Sun Grove – Laguna Ridge
Location	8365 Poppy Ridge Road
APN	132-0290-002
City	Elk Grove
County	Sacramento County

Sale Data

Grantor	Artisan Land Investments, LLC
Grantee	Taylor Morrison of California, LLC
Sale Date	01/15/2016
Deed Book Page	201601150124
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash equivalent
Sale Price	\$6,450,000
Annual Special Assessments per Lot	\$1,850

Land Data

Zoning	RD-5 Residential
Topography	Generally level
Utilities	All available
Number of Lots	86
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	5,500

Indicators (per Lot)

Sale Price	\$75,000
Site Development Costs	\$35,000 (est.)
Permits and Fees	\$60,000 (est.)

Remarks

This transaction represents the recent sale of 18.67± acres of vacant land representing a portion of a subdivision, identified as Sun Grove, in the Laguna Ridge Specific Plan area of Elk Grove. The property has tentative subdivision map approval for 86 lots with a typical lot size of 5,500 square feet. Site development costs and permits and fees were estimated based on other projects in the immediate area.

BULK LOT SALE 5

Property Identification

Project Name	Village Oaks
Location	3933 Suisun Valley Road
APNs	0027-401-030
City	Fairfield
County	Solano

Sale Data

Grantor	Koros Family Trust
Grantee	Velleity Property, LLC
Sale Date	September 11, 2015
Deed Book Page	82766
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$2,875,000
Annual Special Assessments/Lot	\$0

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	38
Land Area (Acres)	4.40 (net developable)
Density (Units per Acre)	8.6
Development Status at Sale	Unimproved lots
Typical Lot Size	3,484 SF

Indicators (per Lot)

Sale Price	\$75,658
Site Development Costs	\$57,344
Permits and Fees	\$46,438

Remarks

This property was purchased from the Koros Family Trust on September 11, 2015, for a purchase price of \$2,875,000, or \$75,658 per lot. There were reportedly no brokers involved in the sale but the current ownership reported that the property was being offered to the open market. The site had a tentative map approved at the time of sale.

BULK LOT SALE 6

Property Identification

Project Name	Sandra Estates Subdivision
Location	South side of Alaska Avenue at Pennsylvania Avenue
APNs	0034-012-020 through -090, -260, -310 through -370, -400 through -430, and 0034-011-110 through -160
City	Fairfield
County	Solano

Sale Data

Grantor	Fairfield Housing Authority
Grantee	Discovery Builders, Inc.
Sale Date	April 30, 2015
Deed Book Page	36266
Property Rights Conveyed	Fee Simple
Conditions of Sale	Seller Motivation
Financing Terms	Cash Equivalent
Sale Price	\$1,495,000
Annual Special Assessments/Lot	\$0

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	26
Land Area (Acres)	4.65
Density (Units per Acre)	5.6
Development Status at Sale	Partially improved
Typical Lot Size	8,000 SF

Indicators (per Lot)

Sale Price	\$57,500
Site Development Costs	\$18,000
Permits and Fees	\$48,000

Remarks

According to the developer, at the time of sale there was limited interest from other prospective purchasers and the seller agreed to a highly discounted price. The property consists of 26 partially improved lots requiring repairs and modifications to the existing improvements prior to vertical construction. The property is located in an area of eastern Fairfield with aging infrastructure and older homes, many of which are rental properties. Additionally, the property is situated adjacent to Interstate 80.

Adjustments and Conclusion

The comparable transactions are adjusted based on the profile of the subject property with regard to categories that affect market value. For certain adjustments such as site development cost, permits and fees and Special Taxes, adjustments are made using actual or estimated (present value) dollar amounts. Other adjustments may be categories as either superior or inferior, with percentage adjustments applied accordingly. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject. The adjustments are made in consideration of paired sales, the appraiser's experience and knowledge and interviews with market participants.

At a minimum, the appraiser considers the need to make adjustments for the following items:

- Expenditures after Sale (i.e. site development costs (if any), permits and fees, bond encumbrance and atypical carrying costs such as Homeowner's Association fees)
- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Location
- Physical features

A detailed analysis involving the adjustment factors is presented below.

Loaded Lot Analysis

Since each comparable has the same highest and best use as the subject property—near term single-family residential development—we apply adjustments for remaining site development costs (if any) and permits and fees on a dollar-for-dollar basis. That is, the comparables are analyzed on a loaded-lot-basis, where any remaining site development costs and permits and fees due at building permit are added to the lot price to yield a price that reflects the total consideration. After all other adjustments are applied (market conditions, physical characteristics, etc.), we deduct the subject's remaining permits and fees to determine the subject's improved lot value.

We consider the Special Taxes of the comparables and their remaining bond terms to estimate a remaining principal bond balance. While bond interest rates may vary somewhat, for approximation purposes, we utilize a discount rate of 4.5% or 6%, depending on bond market conditions as of the date of the bond. The estimated bond encumbrances are added to the loaded lot prices on a dollar-for-dollar basis. Note that Comparables 2, 3, 5, and 6 are not encumbered by bonds, so no adjustments are applied.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below-market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales were cash to the seller transactions and do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

None of the comparables involved atypical conditions of sale; thus, no adjustments are warranted.

Market Conditions

Market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a city, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

The comparables represent transactions between April 2015 and August 2016. According to conversations with market participants, land values have been relatively stable since the beginning of 2016; Comparables 5 and 6 transferred in 2015 and are adjusted slightly upward due to changes in market conditions from that time. No other market conditions adjustment are warranted for the comparables.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

Location

Location adjustments are applied in consideration of a number of factors such influence than pricing, such as home prices and income levels. The subject is located in Dixon, Solano County. Comparable 1 is a prior sale of the subject property and does not warrant adjustment for location. Comparables 2 and 4 are located in West Sacramento and Elk Grove. These comparables have generally similar market locations and do not require adjustments in comparison to the subject property. Comparables 3, 5 and 6 are located in Fairfield, in western Solano County, which is a slightly superior market area when compared to the subject, given its proximity to the Bay Area. These comparables require downward adjustments.

Community Appeal

Comparable 6 is an infill site along Interstate 80 within a previously developed community, now under redevelopment. This comparable is adjusted upward for its inferior community appeal. The remaining comparables feature average community appeal like the subject and do not warrant adjustment for this characteristic.

Number of Lots

Generally, there is an inverse relationship between the number of lots and price per lot such that larger projects (with a greater number of lots) achieve a lower price per lot. The range of transaction size for the comparables does not warrant an adjustment when compared to the subject.

Lot Size (Typical)

Adjustments for differences in lot size between the comparables and subject are estimated by applying lot size adjustment factors to difference in lot size. We have considered paired sales to assist with the determination of a lot size adjustment factor, as well as market participant interviews. We estimate a lot size adjustment factor of \$7.00 per square foot, which is applied to the differences in lot size between the comparables and subject (6,800 SF); subsequently, the products are divided by the interim adjusted sale prices to yield percentage adjustments, which is why comparables with the same lot size may have different adjustments.

Site Utility

Differences in contour, drainage, soil conditions, as well as project design, can affect the utility and, therefore, the market value of the properties. The subject property and comparables exhibit similar site utility. Adjustments for this factor do not apply.

Lot Premiums

The subject and comparables are anticipated to achieve a similar level of lot premiums (cul-de-sac, corner, inverted corner). None of the comparables benefit from view or significant open space premiums. Adjustments for this factor do not apply.

Zoning and Entitlements

The subject and comparables have either approved tentative subdivision maps or recorded final maps. Adjustments for this factor do not apply.

Lot Condition

Builders are willing to pay more for finished lots than for the combined sum of unimproved lots and site development costs due to the time, risk, carrying cost and profit associated with completing site development. The subject represents finished lots and the comparables include unimproved, partially improved, and finished lots, with adjustments applied to unfinished and partially finished lots.

Deductions for Remaining Permits – Finished Lot Indicator

As stated, the comparables are analyzed on a loaded lot basis. After applying all adjustments, we deduct the subject's permits and fees due at building permit (\$53,000 per lot) to yield lot prices reflective of finished lots.

Adjustment Grid

The grid below reflects the afore-discussed adjustments.

Site Characteristics:	Subject	1	2	3	4	5	6
Lot Price		\$55,000	\$125,000	\$84,211	\$75,000	\$75,658	\$57,500
Remaining Site Development Costs	\$0	\$40,000	\$2,110	\$47,090	\$35,000	\$57,344	\$18,000
Permits and Fees	\$53,000	\$53,000	\$45,000	\$55,000	\$60,000	\$46,438	\$48,000
Loaded Lot Price (Lot Price + Site Costs + Fees)		\$148,000	\$172,110	\$186,301	\$170,000	\$179,440	\$123,500
Special Taxes		\$2,270	\$0	\$0	\$1,850	\$0	\$0
Approx. Remaining Term (Years Until Maturity)		30	0	0	20	0	0
Bond Encumbrance (Present Value)		\$36,976	\$0	\$0	\$21,219	\$0	\$0
Adjusted Loaded Lot Price		\$184,976	\$172,110	\$186,301	\$191,219	\$179,440	\$123,500
Elements of Comparison:							
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment							
Adjusted Lot Price		\$184,976	\$172,110	\$186,301	\$191,219	\$179,440	\$123,500
Financing Terms	Cash Equiv.	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment							
Adjusted Lot Price		\$184,976	\$172,110	\$186,301	\$191,219	\$179,440	\$123,500
Sale Conditions	Market	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment							
Adjusted Lot Price		\$184,976	\$172,110	\$186,301	\$191,219	\$179,440	\$123,500
Market Conditions	Jun-17 (Appraisal)	Aug-16	Jun-16	Mar-16	Jan-16	Sep-15	Apr-15
Adjustment						5%	5%
Adjusted Lot Price		\$184,976	\$172,110	\$186,301	\$191,219	\$188,412	\$129,675
Physical Characteristics:							
Location	Dixon	Dixon	W. Sacramento	Fairfield	Elk Grove	Fairfield	Fairfield
Adjustment				-5%		-5%	-5%
Community Appeal	Average	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment							15%
Number of Lots	110	110	38	95	86	38	26
Adjustment							
Lot Size (Typical)	6,800	6,800	6,741	3,192	5,500	3,484	8,000
Adjustment				13.6%	4.8%	12.3%	-6.5%
Topography/Utility	Average	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment							
Lot Premiums/Discounts	Average	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment							
Zoning/Entitlements	Approved	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment							
Other - Lot Condition	Finished	Partially Improved	Improved	Unimproved	Unimproved	Unimproved	Partially Improved
Adjustment		1%		2%	2%	2%	1%
Number of Adjustments (Physical Conditions)		1	0	2	2	3	3
Gross Adjustments		1%	0%	21%	7%	24%	32%
Net Adjustments for Physical Characteristics		1%	0%	11%	7%	9%	5%
Degree of Similarity		Good	Average	Average	Average	Average	Average
Adjusted Loaded Lot Value		\$186,826	\$172,110	\$205,968	\$204,144	\$205,972	\$135,539
Less: Permits and Fees	\$53,000	(\$53,000)	(\$53,000)	(\$53,000)	(\$53,000)	(\$53,000)	(\$53,000)
Unencumbered Finished Lot Value		\$133,826	\$119,110	\$152,968	\$151,144	\$152,972	\$82,539

Conclusion of Finished Lot Value

The comparables reflect an unadjusted range of \$55,000 to \$125,000 per lot. The wide disparity in the unadjusted range is largely attributable to differences in permits and fees, remaining site costs and bonds encumbrances. After adjustments, the comparables exhibit a finished lot range of \$82,539 to \$152,972 per finished lot. The average of the adjusted range is \$132,093 and the median is \$142,485. Comparable 1 is the most recent sale in the data set and as a prior sale of the subject

property provides a good indication of value. Therefore, with greater emphasis on Comparable 1, and support from the balance of the data, a conclusion of \$135,000 per finished lot is considered reasonable for the subject lots.

Extraction Analysis

As support for the estimate of finished lot value concluded in the sales comparison approach, we utilize an extraction (residual) analysis that takes into account home prices, direct and indirect construction costs, accrued depreciation and developer's incentive in order to arrive at an estimate of finished lot value. The elements of the extraction technique are discussed below.

Revenue

In the *Residential Market Overview* section of this report, we analyzed area home prices and current market trends. For purposes of this analysis, a 2,600 square foot home will serve as the benchmark home for the subject subdivision. Based on the current market and recent sales within the subject's market area, an average home price of \$470,000 is utilized for the average 2,600 square foot home at the subject property.

Expense Projections

As part of an ongoing effort to assemble market information, the table below reflects survey responses and developer budget information for numerous single-family residential subdivisions throughout the Northern California region.

Municipality	Budget Date	No. of Units	Quality	Avg. Home Size (SF)	Avg. Lot Size (SF)	Site Costs per Lot	Permits & Fees/Unit	Direct Cost/SF	Indirect Cost/SF	Indirect % of Direct	G & A % of Rev	Mkt & Sales % of Rev	Profit % of Rev
City of West Sacramento	2017	38	Avg	2,078	6,775	N/Av	\$46,822	\$62.70	N/Av	N/Av	N/Av	N/Av	N/Av
Contra Costa County	2017	94	Avg	2,188	2,975	N/Av	\$35,000	\$80.54	\$8.55	11%	5.0%	6.2%	10.1%
City of Chico	2017	46	Avg	1,874	4,500	\$51,807	\$23,332	\$90.33	\$12.75	14%	N/Av	N/Av	N/Av
City of Sacramento	2016	116	Entry	1,519	2,041	N/Av	\$35,000	\$75.91	\$13.66	18%	N/Av	N/Av	N/Av
City of Lodi	2016	42	Good	2,152	5,554	\$46,977	\$29,290	\$78.26	\$22.53	29%	N/Av	1.3%	11.1%
City of Oakley	2016	61	Avg	2,305	6,000	\$41,392	\$53,000	\$74.80	\$3.04	4%	N/Av	3.0%	14.6%
City of Elk Grove	2016	32	Good	2,614	5,937	\$64,490	\$46,000	\$72.46	\$8.79	12%	2.0%	5.1%	8.8%
City of Sacramento	2016	35	Avg	1,946	3,825	\$40,505	\$43,284	\$70.73	\$12.63	18%	3.0%	3.5%	9.7%
City of Fairfield	2015	26	Entry	2,375	8,000	N/Av	\$48,115	\$67.65	\$8.86	13%	N/Av	5.5%	24.6%
City of Sacramento	2015	29	Avg	2,273	5,325	N/Av	\$52,550	\$73.98	\$21.45	29%	2.5%	4.4%	15.6%
City of Davis	2015	35	Avg	1,829	2,000	\$101,608	\$61,770	\$92.28	N/Av	N/Av	1.0%	3.0%	N/Av
City of Roseville	2015	32	Good	2,234	6,709	\$55,945	\$47,844	\$75.95	\$10.36	14%	5.0%	4.0%	11.6%
City of West Sacramento	2015	31	Avg/G	2,450	5,000	\$40,793	\$35,346	\$64.97	\$4.08	6%	N/Av	4.2%	8.4%
City of Lincoln	2015	10	Good	2,513	9,547	N/Av	\$43,425	\$77.90	N/Av	N/Av	N/Av	N/Av	N/Av
	Min.	10		1,519	2,000	\$40,505	\$17,080	\$62.70	\$3.04	4%	1.0%	1.3%	8.4%
	Max.	116		2,614	9,547	\$101,608	\$61,770	\$92.28	\$22.53	29%	5.0%	6.2%	24.6%
	Avg.	48		2,105	5,202	\$58,563	\$39,984	\$76.34	\$11.35	15%	2.9%	4.0%	13.0%

Information from the survey above will contribute to the estimate of development expenses classified as follows.

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 6.0%, or 3.0% for marketing and 3.0% for sales, is estimated in the marketing and sales expense category.

Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Recent conversations with homebuilders confirm construction costs have increased over the last 12 months; consequently, based on the cost comparables, and considering the product line under development, a direct cost estimate of \$65 per square foot is applied to the 2,600 square foot home.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 12% is considered reasonable for the subject.

Permits and Fees

As noted, permits and fees due at building permit are projected to total \$53,000 per lot, on average.

Accrued Depreciation

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

Developer's Incentive

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. This is consistent with our survey presented earlier in this section, which ranged from 8.4% to 24.6%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Approved entitlements and completed site development.
- Recent price increases and steady yearly absorption

There are generally few "negative" attributes associated with the subject property, other than the potential for deterioration in market conditions in the residential sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.). Based on the preceding discussion and developer surveys, we have concluded an estimate of **10%** for developer's incentive.

Conclusion

Our estimate of finished lot value via the extraction analysis is presented below.

EXTRACTION ANALYSIS

Revenue		
Average Floor Plan Size	2,600 SF	
Typical Home Price		\$470,000
Expense Projections		
G & A Cost @	3.0% of Retail Value	\$14,100
Marketing/Sales @	6.0% of Retail Value	\$28,200
Average Direct Costs @	\$65.00 /SF	\$169,000
Indirect Cost @	12.0% of Direct Cost	\$20,280
Permits and Fees Due at BP	\$53,000 Per Lot	\$53,000
Developer's Incentive	10% of home price	\$47,000
		<u>\$331,580</u>
Residual Finished Lot Value:		\$138,420

Reconciliation of Finished Lot Value

The estimate of residual value above (\$138,420) is within 3.0% of the sales comparison approach estimate (\$135,000). The extraction analysis is generally supportive of the sales comparison approach.

The concluded finished lot value is as follows:

Lots	Concluded Lot Value	Value of Finished Lots
107	\$135,000	\$14,445,000

We have also been requested to provide the value of permits and fees paid for homes under construction. Although the average price for permits and fees for the development is \$53,000 per lot, according to the developer they have been averaging \$52,000 per lot for the permits pulled so far. Based upon the total number of permits pulled as noted by the developer (minus the three completed homes), the estimated value of permits and fees paid is displayed in the following table.

Permits Pulled	Permit Amount	Permit Value
20	\$52,000	\$1,040,000

Thus the total concluded value for the subject's lots and permits is as follows:

Concluded Value of Finished Lots and Permits	
Finished Lots	\$14,445,000
Permit Value	<u>\$1,040,000</u>
Total	\$15,485,000

CONCLUSION OF VALUE

The subject is comprised of 107 lots and three model homes. The summation of the component values is displayed in the following table. Due to typical transaction sizes for similar properties within the region no further discounting is warranted for the subject property.

As a result of our analysis, it is our opinion that the market value of the subject property based on the hypothetical conditions set forth herein, in accordance with the general and extraordinary assumptions and limiting conditions on pages 6 through 8, and based on an effective date of value of June 6, 2017, which was our date of inspection, is ...

Concluded Value	
Lots and Permits	\$15,485,000
Completed Homes	\$1,420,000
	Total \$16,905,000
	Rd. \$16,910,000

The market value estimated herein is based on a *hypothetical condition*. USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis.” Certain of the proceeds from the CFD Bonds (the “Bonds”) will be used to reimburse for infrastructure improvements. The market value estimated herein is based on the hypothetical condition the infrastructure improvements to be reimbursed by Bonds were in place as of the date of value, and that the subject property was encumbered by CFD Bonds. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the Bonds.

EXPOSURE TIME & MARKETING TIME

Exposure time and marketing time may or may not be similar depending on whether market activity in the immediate future continues in the same manner as in the immediate past. Indications of the exposure time associated with the market value estimate are provided by the marketing times of sale comparables, interviews with participants in the market and analysis of general economic conditions. Estimation of a future marketing time is more difficult, requiring forecasting and analysis of trends.

Exposure Time

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the *Glossary of Terms* in the Addenda.

In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. The housing market has entered a growth stage for the past few years. A transfer of residential land in the region has typically occurred within 12 months of exposure. It is estimated the exposure time for the subject property, if appropriately priced, would be within 12 months.

Marketing Time

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property.

The marketing time for the subject property is not anticipated to vary significantly from the exposure time. Thus, the marketing time is estimated at 12 months or less.

APPENDIX

A – VALUE BY ASSESSOR'S PARCEL

Assessor's Parcel Number	Lot No.	Status	Appraised Value	Permits and Fees Value	Total Value
0114-291-010	1	Finished Lot	\$135,000	N/A	\$135,000
0114-291-020	2	Completed Home	\$490,000	N/A	\$490,000
0114-291-030	3	Completed Home	\$460,000	N/A	\$460,000
0114-291-040	4	Completed Home	\$470,000	N/A	\$470,000
0114-332-010	1	Finished Lot	\$135,000	N/A	\$135,000
0114-332-020	2	Finished Lot	\$135,000	N/A	\$135,000
0114-332-030	3	Finished Lot	\$135,000	N/A	\$135,000
0114-332-040	4	Finished Lot	\$135,000	N/A	\$135,000
0114-332-050	5	Finished Lot	\$135,000	N/A	\$135,000
0114-332-060	6	Finished Lot	\$135,000	N/A	\$135,000
0114-332-070	7	Finished Lot	\$135,000	N/A	\$135,000
0114-332-080	8	Finished Lot	\$135,000	N/A	\$135,000
0114-332-090	9	Finished Lot	\$135,000	N/A	\$135,000
0114-332-100	10	Finished Lot	\$135,000	N/A	\$135,000
0114-332-110	11	Finished Lot	\$135,000	N/A	\$135,000
0114-332-120	12	Finished Lot	\$135,000	N/A	\$135,000
0114-332-130	13	Finished Lot	\$135,000	N/A	\$135,000
0114-332-140	14	Finished Lot	\$135,000	N/A	\$135,000
0114-332-150	15	Finished Lot	\$135,000	N/A	\$135,000
0114-332-160	16	Finished Lot	\$135,000	N/A	\$135,000
0114-332-170	17	Finished Lot	\$135,000	N/A	\$135,000
0114-332-180	18	Finished Lot	\$135,000	N/A	\$135,000
0114-332-190	19	Finished Lot	\$135,000	N/A	\$135,000
0114-332-200	20	Finished Lot	\$135,000	N/A	\$135,000
0114-332-210	21	Finished Lot	\$135,000	N/A	\$135,000
0114-332-220	22	Finished Lot	\$135,000	N/A	\$135,000
0114-332-230	23	Finished Lot	\$135,000	N/A	\$135,000
0114-332-240	24	Finished Lot	\$135,000	N/A	\$135,000
0114-332-250	25	Finished Lot	\$135,000	N/A	\$135,000
0114-332-260	26	Finished Lot	\$135,000	N/A	\$135,000
0114-332-270	27	Finished Lot	\$135,000	N/A	\$135,000
0114-332-280	28	Finished Lot	\$135,000	N/A	\$135,000
0114-332-290	29	Finished Lot	\$135,000	N/A	\$135,000
0114-332-300	30	Finished Lot	\$135,000	N/A	\$135,000
0114-332-310	31	Finished Lot	\$135,000	N/A	\$135,000
0114-332-320	32	Finished Lot	\$135,000	N/A	\$135,000
0114-332-330	33	Finished Lot	\$135,000	N/A	\$135,000
0114-332-340	34	Finished Lot	\$135,000	N/A	\$135,000
0114-332-350	35	Finished Lot	\$135,000	N/A	\$135,000
0114-332-360	36	Finished Lot	\$135,000	N/A	\$135,000
0114-332-370	37	Finished Lot	\$135,000	N/A	\$135,000
0114-323-010	38	Finished Lot	\$135,000	N/A	\$135,000
0114-323-020	39	Finished Lot	\$135,000	N/A	\$135,000
0114-323-030	40	Finished Lot	\$135,000	N/A	\$135,000
0114-323-040	41	Finished Lot	\$135,000	N/A	\$135,000
0114-323-050	42	Finished Lot	\$135,000	N/A	\$135,000
0114-323-060	43	Finished Lot	\$135,000	N/A	\$135,000

Assessor's Parcel Number	Lot No.	Status	Appraised Value	Permits and Fees Value	Total Value
0114-323-070	44	Finished Lot	\$135,000	N/A	\$135,000
0114-323-080	45	Finished Lot	\$135,000	N/A	\$135,000
0114-323-090	46	Finished Lot	\$135,000	N/A	\$135,000
0114-323-100	47	Finished Lot	\$135,000	N/A	\$135,000
0114-323-110	48	Finished Lot	\$135,000	N/A	\$135,000
0114-323-120	49	Finished Lot	\$135,000	N/A	\$135,000
0114-323-130	50	Finished Lot	\$135,000	N/A	\$135,000
0114-323-140	51	Finished Lot	\$135,000	N/A	\$135,000
0114-323-150	52	Finished Lot	\$135,000	N/A	\$135,000
0114-322-100	53	Finished Lot	\$135,000	N/A	\$135,000
0114-322-090	54	Finished Lot	\$135,000	N/A	\$135,000
0114-322-080	55	Finished Lot	\$135,000	N/A	\$135,000
0114-322-070	56	Finished Lot	\$135,000	N/A	\$135,000
0114-322-060	57	Finished Lot	\$135,000	N/A	\$135,000
0114-322-050	58	Finished Lot	\$135,000	N/A	\$135,000
0114-322-040	59	Finished Lot	\$135,000	N/A	\$135,000
0114-322-030	60	Finished Lot	\$135,000	N/A	\$135,000
0114-322-020	61	Finished Lot	\$135,000	N/A	\$135,000
0114-322-010	62	Finished Lot	\$135,000	N/A	\$135,000
0114-322-180	63	Finished Lot	\$135,000	N/A	\$135,000
0114-322-170	64	Finished Lot	\$135,000	N/A	\$135,000
0114-322-160	65	Finished Lot	\$135,000	N/A	\$135,000
0114-322-150	66	Finished Lot	\$135,000	N/A	\$135,000
0114-322-140	67	Finished Lot	\$135,000	N/A	\$135,000
0114-322-130	68	Finished Lot	\$135,000	N/A	\$135,000
0114-322-120	69	Finished Lot	\$135,000	N/A	\$135,000
0114-322-110	70	Finished Lot	\$135,000	N/A	\$135,000
0114-321-010	71	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-020	72	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-030	73	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-040	74	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-050	75	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-060	76	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-070	77	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-080	78	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-090	79	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-100	80	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-110	81	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-120	82	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-130	83	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-140	84	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-150	85	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-160	86	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-170	87	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-180	88	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-190	89	Finished Lot	\$135,000	\$52,000	\$187,000
0114-321-200	90	Finished Lot	\$135,000	\$52,000	\$187,000

Assessor's Parcel Number	Lot No.	Status	Appraised Value	Permits and Fees Value	Total Value
0114-321-210	91	Finished Lot	\$135,000	N/A	\$135,000
0114-331-010	92	Finished Lot	\$135,000	N/A	\$135,000
0114-331-020	93	Finished Lot	\$135,000	N/A	\$135,000
0114-331-030	94	Finished Lot	\$135,000	N/A	\$135,000
0114-331-040	95	Finished Lot	\$135,000	N/A	\$135,000
0114-331-050	96	Finished Lot	\$135,000	N/A	\$135,000
0114-203-018	97	Finished Lot	\$135,000	N/A	\$135,000
0114-333-090	98	Finished Lot	\$135,000	N/A	\$135,000
0114-333-080	99	Finished Lot	\$135,000	N/A	\$135,000
0114-333-070	100	Finished Lot	\$135,000	N/A	\$135,000
0114-333-060	101	Finished Lot	\$135,000	N/A	\$135,000
0114-333-050	102	Finished Lot	\$135,000	N/A	\$135,000
0114-333-040	103	Finished Lot	\$135,000	N/A	\$135,000
0114-333-030	104	Finished Lot	\$135,000	N/A	\$135,000
0114-333-020	105	Finished Lot	\$135,000	N/A	\$135,000
0114-333-010	106	Finished Lot	\$135,000	N/A	\$135,000

B – GRANT DEED

RECORDING REQUESTED BY:
First American Title Company

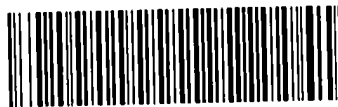
Marc C. Tonnesen
Assessor/Recorder

WHEN RECORDED MAIL TO AND
MAIL TAX STATEMENTS TO:
Richmond American Homes of Maryland, Inc.
One Harbor Center, Suite 100
Suisun City, CA 94585
Attn: Oren Hershkovich & Craig Merry

P DPS

Doc#: 201600074755

Titles: 1 Pages: 4



Fees 42.00
Taxes 6,655.00
Other 0.00
PAID \$6,697.00

①

5151375-50

(Space Above Line For Recorder's Use Only)

The undersigned Grantor(s) declare(s): DOCUMENTARY TRANSFER TAX \$ 6,655; CITY
TRANSFER TAX \$ NA;

- computed on the consideration or full value of property conveyed, OR
- computed on the consideration or full value less value of liens and/or encumbrances remaining at time of sale,
- unincorporated area; City of Dixon, and

GRANT DEED

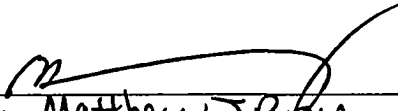
FOR VALUE RECEIVED, Rich Haven—Visser, LLC, a Delaware limited liability company, and Manitoba Ventures, LLC, a Delaware limited liability company, hereby grant to Richmond American Homes of Maryland, Inc., a Maryland corporation, all that certain real property (the "Property") situated in the City of Dixon, County of Solano, State of California, more particularly described in Exhibit 1 attached hereto and incorporated herein by reference.

[SIGNATURE PAGE FOLLOWS]

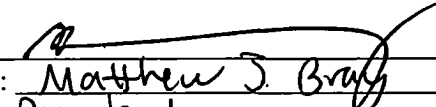
Mail Tax Statements to
SAME AS ABOVE

IN WITNESS WHEREOF, the undersigned has executed this Grant Deed this 30 day of August, 2016.

RICH HAVEN – VISSER, LLC,
a Delaware limited liability company

By: 
Name: Matthew J. Bray
Title: President

MANITOBA VENTURES, LLC,
a Delaware limited liability company,

By: 
Name: Matthew J. Bray
Title: President

[all signatures must be notarized]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of Orange)

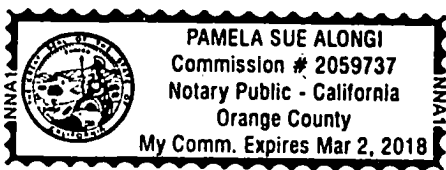
On August 25, 2016 before me, Pamela Sue Alongi, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Matthew J. Bray
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/hers/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.
Signature [Handwritten Signature]
Signature of Notary Public



Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____ Document Date: _____

Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

Exhibit 1

LEGAL DESCRIPTION

Real property in the City of Dixon, County of Solano, State of California, described as follows:

PARCEL A: (APN: 0114-033-250 AND 0114-033-260)
LOT 1, AS SHOWN ON THE MAP ENTITLED "FINAL VALLEY GLEN PHASE 2 UNIT 1" FILED ON NOVEMBER 19TH 2013 IN BOOK 87 OF MAPS, AT PAGES 57-59 SOLANO COUNTY RECORDS.

EXCEPTING THEREFROM:

50 PERCENT OF ALL OIL, GAS HYDROCARBONS, ASPHALTUM AND ALL OTHER MINERAL SUBSTANCES LYING WITHIN OR UNDER SAID LAND AS RESERVED IN THE DEED FROM ROBERT TOBIAS KILKENNEY, ET AL RECORDED DECEMBER 10, 1975, BOOK 1975, PAGE 55446, SERIES NO. 34942, SOLANO COUNTY OFFICIAL RECORDS. ALL RIGHT, TITLE AND INTEREST IN THE SURFACE ENTRY RIGHTS AND FROM THE SURFACE OF THE PROPERTY DOWN TO THE DEPTH OF 500 FEET BELOW THE SURFACE OF THE PROPERTY HAVE BEEN RELINQUISHED BY QUITCLAIM DEED RECORDED SEPTEMBER 11, 2002 AS INSTRUMENT NO. 2002-114418 OF OFFICIAL RECORDS.

PARCEL B: (APN: 0114-291-010 [Lot 1], 0114-291-020 [Lot 2], 0114-291-030 [Lot 3] AND 0114-291-040 [Lot 4])

LOTS 1, 2, 3, AND 4, AS SHOWN ON THE MAP OF SUBDIVISION NO. 100, VALLEY GLEN PHASE 3 UNIT 1, FILED ON NOVEMBER 2, 2002 IN BOOK 80 OF MAPS, PAGE 35, OFFICIAL RECORDS OF SOLANO COUNTY.

EXCEPTING THEREFROM:

50 PERCENT OF ALL OIL, GAS, HYDROCARBONS, ASPHALTUM AND ALL OTHER MINERAL SUBSTANCES LYING WITHIN OR UNDER SAID LAND AS RESERVED IN THE DEED FROM ROBERT TOBIAS KILKENNY, ET AL RECORDED DECEMBER 10, 1975, BOOK 1975, PAGE 55446, SERIES 34942, SOLANO COUNTY OFFICIAL RECORDS. ALL RIGHT, TITLE AND INTEREST IN THE SURFACE ENTRY RIGHTS AND FROM THE SURFACE OF THE PROPERTY DOWN TO A DEPTH OF 500 FEET BELOW THE SURFACE OF THE PROPERTY HAVE BEEN RELINQUISHED BY QUITCLAIM DEED RECORDED SEPTEMBER 11, 2002 AS INSTRUMENT NO. 2002-114418 OF OFFICIAL RECORDS.

**END OF
DOCUMENT**

C - GLOSSARY OF TERMS

GLOSSARY OF TERMS

Unless otherwise noted, the following definitions are from The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

Aggregate of Retail Values: The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions.

As Is Market Value: The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Band of Investment: A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

Bulk Value: The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

Comparative-Unit Method: A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area.

Cost Approach: A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.

Depreciation: In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Direct Capitalization: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only one year's income is used. Yield and value changes are implied, but not explicitly identified.

Discounted Cash Flow (DCF) Analysis: The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Discount Rate: A rate of return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*.

Disposition Value: The most probable price that a specified interest in property should bring under the following conditions: 1) consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market; 2) the property is subjected to market conditions prevailing as of the date of valuation; 3) both the buyer and seller are acting prudently and knowledgeably; 4) the seller is under compulsion to sell; 5) the buyer

is typically motivated; 6) both parties are acting in what they consider to be their best interests; 7) an adequate marketing effort will be made during the exposure time; 8) payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto; 9) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Easement: The right to use another's land for a stated purpose.

Exposure Time: The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

External Obsolescence: A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent.

Extraction: A method of estimating land value in which the depreciated cost of the improvements on an improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land.

Extraordinary Assumption: An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Fair Market Value: The highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the

other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. (California Code of Civil Procedure, Section 1263.320(a))

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

Floor Area Ratio (FAR): The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Functional Obsolescence (Curable): An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected.

Functional Obsolescence (Incurable): An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal.

Highest and Best Use: The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

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

Income Capitalization Approach: Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.

Leased Fee Interest: The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest: The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Marketing Time: An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Neighborhood: A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

Obsolescence: One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external.

Prospective Opinion of Value: A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Quantity Survey Method: A cost-estimating method in which the quantity and quality of all materials used and all categories of labor required are estimated and unit cost figures are applied to arrive at a total cost estimate for labor and materials.

Replacement Cost: The estimated cost to construct, at current prices as of a specified date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.

Reproduction Cost: The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Sales Comparison Approach: The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Site Coverage Ratio: The gross area of the building footprint divided by the site area.

Stabilized Occupancy: 1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand. 2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

Subdivision Development Method: A method of estimating land value when subdividing and developing a parcel of land is the highest and best use of that land. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots (or the completed improvements on those lots), the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the land.

Superadequacy: An excess in the capacity or quality of a structure or structural component; determined by market standards.

Unit-In-Place Method: A cost-estimating method in which total building cost is estimated by adding together the unit costs for the various building components as installed; also called the *segregated cost method*.

Yield Capitalization: A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.

Yield Rate: A rate of return on capital, usually expressed as a compound annual percentage rate. A yield rate considers all expected property benefits, including the proceeds from sale at the termination of the investment.

D - QUALIFICATIONS OF APPRAISER(S)



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation

Northern California/Nevada
3825 Atherton Road, Suite 500
Rocklin, California 95765

P: (916) 435-3883 F: (916) 435-4774

Kevin K. Ziegenmeyer, MAI, Partner

Introduction

Mr. Ziegenmeyer is a partner with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation.

Professional Affiliations

Appraisal Institute – MAI Designation

Certified General Real Estate Appraiser - State of California (No. AG013567)

Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

(continued on next page.....)



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation

Northern California/Nevada
3825 Atherton Road, Suite 500
Rocklin, California 95765

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(.....continued from previous page)

2005 Annual Fall Conference
General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Appraisal Experience

General-purpose:

Offices
Retail
Industrial
Apartments
Subdivisions
Land

Special-purpose:

Athletic Clubs
Churches
Educational Facilities
Restaurants
Assisted-living Facilities
Auto Sales and Service
Lodging Facilities



Sample of Appraisal Experience

Hunters Point Shipyard – Phase I
San Francisco, San Francisco County, California

This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.

City of San Mateo Community Facilities District No.
2008-1 (Bay Meadows)
San Mateo, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 52± developable acres proposed for the development of 724,225 square feet of office space, approximately 85,374 square feet of retail space and 1,121 residential housing units, with 832 residential housing units being developed on the residential land component and the balance (289 units) to be developed as part of the mixed-use component. The report was prepared for the City of San Mateo Department of Finance.

City of Redwood City Community Facilities District
No. 2010-1 (One Marina)
Redwood City, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 16.62± acres proposed for the construction of 231 townhome and flat-style residential units within 24 detached buildings. The report was prepared for the City of Redwood City Department of Finance.

County of San Joaquin Community Facilities District
No. 2009-2 (Vernalis Interchange)
Vernalis, San Joaquin County, California

This assignment involved the appraisal of approximately 3,457.41 gross acres of land comprising 40 separate Assessor's parcels devoted to (or intended for) aggregate mining operations by six independent mining operators, including Teichert, West Coast Aggregates, Granite, Knife River, DeSilva Gates and Cemex. The summary appraisal was completed for bond financing purposes, with the proceeds intended to finance the construction of a new interchange on State Route 132 at Bird Road, which is intended to enhance traffic operation safety at this intersection. This report was prepared for the County of San Joaquin.



Sample of Appraisal Experience (continued)

Bickford Ranch Community Facilities District No.
2003-1
Placer County, California

The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.

El Dorado Hills Community Facilities District No. 1992-1 (portion)
El Dorado County, California

This assignment involved the hypothetical cumulative or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.

Community Facilities District No. 16
West Sacramento, California

This project involved the valuation of Bridgeway Lakes, a high-end 609-lot single-family residential community located in the Southport area of West Sacramento. Lot densities within the project varied from low and medium density to rural estate lots. This report was prepared for the City of West Sacramento.

Community Facilities District No. 17
West Sacramento, California

This assignment concerned the valuation of 252 single-family lots and 252 proposed multifamily units comprising the Parella residential community in the Southport area of West Sacramento. This report was prepared for the City of West Sacramento.

Diablo Grande Community Facilities District No. 1 (Series 2002)
Stanislaus County, California

The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared for Western Hills Water District.

Plumas Lake Community Facilities District No. 2002-1
Yuba County, California

This appraisal included the valuation of a portion of the proposed, and partially improved, Plumas Lake Specific Plan area, and comprised 3,314 detached single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the Olivehurst Public Utility District.



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation

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Sample of Appraisal Experience (continued)

Brentwood Assessment District No. 2003-1
Brentwood, Contra Costa County, California

This assignment involved the valuation of an assessment district containing commercial and residential components comprising 5.66 acres of commercial land, 882 single-family residential lots and 15.8 acres of multifamily land. The appraisal was used for bond underwriting purposes and was prepared for the City of Brentwood.

Patterson Gardens & Keystone Pacific Business Park
Patterson, Stanislaus County, California

This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.

Syrah Condominiums
Sacramento, Sacramento County, California

Syrah is a proposed 245-unit residential condominium development with dual phase valuations. This report was prepared for KeyBank.



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

Kevin K. Ziegenmeyer

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2017
Date Expires: June 4, 2019


Jim Martin, Bureau Chief, BREA

3034684



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Eric A. Segal, MAI, Partner

Introduction

Mr. Segal is a Certified General real estate appraiser with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for SJZ. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos and Assessment Districts for land-secured municipal financings. He has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Professional Affiliations

Appraisal Institute – MAI designation

Certified General Real Estate Appraiser – State of California (No. AG026558)

Real Estate Appraiser - Certified General – State of Nevada (No. A.0207066-CG)

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Appraisal Litigation Practice and Courtroom Management

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications



Sample of Appraisal Experience

Pleasant Valley Mixed-Use Development
Visitacion Valley Neighborhood
San Francisco, San Francisco County, California

This appraisal was prepared for loan underwriting. The Pleasant Valley mixed-use development comprises approximately 20.08 gross acres of land to be developed in three phases. Phase 1 will contain 568 residential units, a grocery store, in-line retail stores, office space, public park and pedestrian access to the Caltrain Bayshore station, which is located just east of the development. Phase 2 will contain approximately 556 residential units and an additional public park (Visitacion Park). Phase 3 will contain approximately 555 residential units. In total, Pleasant Valley is expected to be developed with 1,679 residential units of studio/loft, 1, 2, 3 and 4-bedroom unit types.

Hunters Point Shipyard – Phase I
San Francisco, San Francisco County, California

This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.

Santa Barbara Palms
Las Vegas, Clark County, Nevada

Santa Barbara Palms is a 114-unit, age-restricted, low-income housing apartment project in Las Vegas. The appraisal was prepared under Section 223(f) of the Federal Housing Administration (FHA) MAP Program for a 223(f) Refinance for Capital One Multifamily Finance, LLC.

City of Dixon Community Facilities District No. 2013-1 (Parklane)
Dixon, Solano County, California

This assignment involved the appraisal of 71.51 gross acres of land approved for the development of 401 single-family homes under construction by Brookefield Homes. The proposed Bond proceeds were to be used to reimburse the developer for infrastructure improvements. The estimate of market value accounted for the impact of the lien of the special taxes securing the proposed Bonds, and the estimated value was subject to a hypothetical condition such improvements were in place and available for use.



Sample of Appraisal Experience (continued)

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2008-1 (Bay Meadows)
San Mateo, San Mateo County, California

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HUD 223(f) Apartment Portfolio
San Francisco, San Francisco County, California

This appraisal assignment involved the appraisal of nine multifamily properties in San Francisco containing between seven and 50 units, as well as mixed-use properties including ground floor retail tenants. The self-contained appraisals were completed in compliance with Federal regulatory requirements and guidelines that may apply as well as the requirements of the Federal Housing Administration (FHA) MAP Program for a 223(f) Refinance. This report was prepared for Column Guaranteed, LLC.

The Parkway & Quinto Ranch
Santa Nella, Merced County, California

This appraisal involved the valuation of a 1,464-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 1,644-acre ranch subject to a conservation easement. This report was prepared for IndyMac Bank.



Sample of Appraisal Experience (continued)

Reclamation District No. 17 – Mossdale Tract
(portion)
County of San Joaquin, California

The appraised properties represented a portion of Reclamation District No. 17 identified as vacant residential, vacant commercial and vacant industrial land, and excluded those properties within the boundaries of the District zoned as agricultural and public use, and those properties with an assessed improvement value on the most recent property tax roll. Reclamation District No. 17 (Mossdale Tract) is located in San Joaquin County and contains approximately 16,107.58 acres of land comprising approximately 13,335 assessor's parcels. This report was prepared for Reclamation District No. 17.

Bickford Ranch Community Facilities District No.
2003-1
Placer County, California

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1992-1 (portion)
El Dorado County, California

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(Series 2002)
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Patterson Gardens & Keystone Pacific Business
Park
Patterson, Stanislaus County, California

This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.



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Eric A. Segal

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

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2017
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Jim Martin, Bureau Chief, BREA

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