

PRELIMINARY OFFICIAL STATEMENT DATED JULY 20, 2016

NEW ISSUE-FULL BOOK ENTRY

RATING: S&P: A-
(See "Rating" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS — Tax Matters."

\$37,285,000*

STOCKTON PUBLIC FINANCING AUTHORITY REVENUE BONDS (ASSESSMENT AND SPECIAL TAX DISTRICT REFUNDINGS) SERIES 2016A

Dated: Date of Delivery

Due: September 2, as shown on inside cover

Authority for Issuance. The Bonds are being issued by the Stockton Public Financing Authority (the "Authority"), pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code, under an Indenture of Trust dated as of August 1, 2016 (the "Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and pursuant to a Resolution adopted by the Board of Directors of the Authority on June 28, 2016. See "THE BONDS – Authority for Issuance."

Use of Proceeds. The Bonds are being issued to (i) acquire four series of special tax refunding bonds to be issued by the City of Stockton, California (the "City") concurrently with the issuance of the Bonds (the "CFD Bonds"), (ii) acquire two series of reassessment bonds to be issued by the City concurrently with the issuance of the Bonds (the "Reassessment Bonds"), (iii) refund two series of revenue bonds of the Authority (the "2005 Authority Bonds"), and incident to such refunding have assigned to the Trustee three additional series of reassessment bonds issued by the City (the "2005 AD Bonds"), (iv) fund a reserve fund for the Bonds or purchase a debt service reserve insurance policy for the Bonds, and (v) pay costs of issuance of the Bonds. See "FINANCING PLAN."

Security and Sources of Payment for the Bonds. The Bonds are payable solely from "Revenues" pledged by the Authority under the Indenture, which consist primarily of amounts received from the payment of debt service on the CFD Bonds, the Reassessment Bonds and the 2005 AD Bonds (collectively, the "Acquired Obligations"). See "SECURITY FOR THE BONDS."

Possible Bond Insurance and Reserve Policy. The Authority has applied for a municipal bond insurance policy and a debt service reserve insurance policy, and will decide whether to purchase any such municipal bond insurance policy or debt service reserve insurance policy in connection with the pricing of the Bonds.

Security for the Acquired Obligations. Each series of the CFD Bonds is payable from special taxes levied by the City (the "Special Taxes") on certain parcels within the related community facilities district (each, a "CFD"). See "SECURITY FOR THE CFD BONDS." The Reassessment Bonds and the 2005 AD Bonds are payable from reassessments levied by the City (the "Reassessments") on certain parcels within the related reassessment district (each, a "Reassessment District"). See "SECURITY FOR THE REASSESSMENT BONDS."

The Districts. The four CFDs and the five Reassessment Districts (collectively, the "Districts") are all located within the City. The combined Districts include an aggregate of 5,022 parcels subject to Special Tax or Reassessment levies. "THE DISTRICTS IN THE AGGREGATE," "THE CFDs" and "THE REASSESSMENT DISTRICTS."

Bond Terms. The Bonds will be issued in denominations of \$5,000 or any integral multiple of \$5,000. Interest is payable semiannually on each March 2 and September 2, commencing March 2, 2017, to the Owners of record as of the Record Date. Payment will be made. The "Record Date" for the Bonds is the 15th day of the calendar month preceding an Interest Payment Date, whether or not such day is a Business Day. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee's books. See "THE BONDS - Bond Terms" and "– Book-Entry Only System."

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

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

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES AND FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISIONS THEREOF OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS AND NEITHER THE AUTHORITY (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE PAYMENTS ON THE ACQUIRED OBLIGATIONS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

Maturity Schedule (see inside cover)

The Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney, for the Authority by Quint & Thimmig LLP, Larkspur, California, serving as Disclosure Counsel to the Authority, and for the Underwriters, by their counsel, Nossaman LLP, Irvine, California. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about August 17, 2016.



RBC Capital Markets

The date of this Official Statement is July __, 2016.

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$37,285,000*
STOCKTON PUBLIC FINANCING AUTHORITY
REVENUE BONDS
SERIES 2016A

(CUSIP Prefix+: _____)

<u>Maturity</u> (September 2)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP+</u> <u>Suffix</u>
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\$ _____ % Term Bond due September 2, 2037; Yield: _____%; Price: _____; CUSIP+: _____

* Preliminary, subject to change.

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority and the City do not plan to issue any updates or revisions to those forward-looking statements if or when any expectations, or events, conditions or circumstances on which such statements are based occur.

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

**STOCKTON PUBLIC FINANCING AUTHORITY
and
CITY OF STOCKTON, CALIFORNIA**

**BOARD OF DIRECTORS OF THE AUTHORITY
AND MEMBERS OF THE CITY COUNCIL**

Anthony Silva, Chair and Mayor
Christina Fugazi, Vice Chair and Vice Mayor, District 5
Elbert H. Holman, Jr., Member and Councilmember, District 1
Dan Wright, Member and Councilmember, District 2
Susan Lofthus, Member and Councilmember, District 3
Michael Blower, Member and Councilmember, District 4
Michael Tubbs, Member and Councilmember, District 6

OFFICERS

Kurt O. Wilson, City Manager
Scott Carney, Deputy City Manager
Matt Paulin, Chief Finance Officer
Claire Tyson, Assistant Chief Financial Officer
John M. Luebberke, City Attorney
Kevin Beltz, Program Manager II
Jayden Sangha, Program Manager II
Bonnie Paige, City Clerk

FINANCING SERVICES

Municipal Advisor
Del Rio Advisors, LLC
Modesto, California

Bond Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Special Tax Consultant and Reassessment Engineer
Willdan Financial Services
Temecula, California

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

Verification Agent
Grant Thornton, LLP
Minneapolis, Minnesota

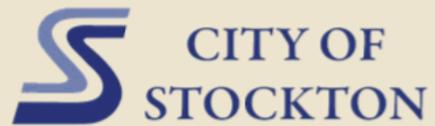
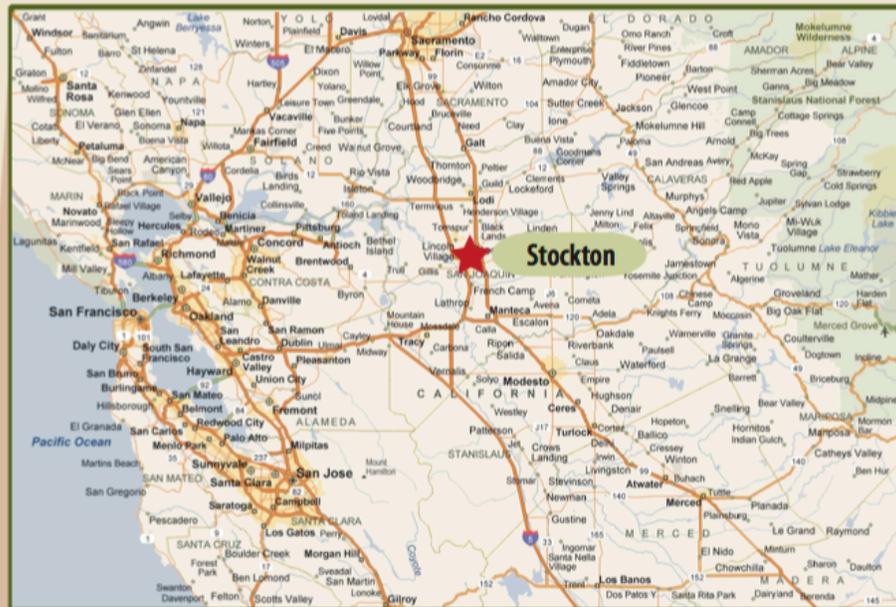
Disclosure Counsel
Quint & Thimmig LLP
Larkspur, California

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REGIONAL LOCATION MAP

STOCKTON • CALIFORNIA



OFFICIAL STATEMENT

\$37,285,000*
STOCKTON PUBLIC FINANCING AUTHORITY
REVENUE BONDS
(ASSESSMENT AND SPECIAL TAX DISTRICT REFUNDINGS)
SERIES 2016A

INTRODUCTION

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

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

Authority for Issuance

The Bonds are being issued by the Authority under Article 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “**Act**”), under an Indenture of Trust dated as of August 1, 2016 (the “**Indenture**”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “**Trustee**”), and pursuant to a Resolution adopted by the Board of Directors of the Authority on June 28, 2016 (the “**Authority Resolution**”). See “THE BONDS – Authority for Issuance.”

Financing Purposes

The Bonds are being issued for the following purposes:

(i) to acquire four series of special tax refunding bonds (the “**CFD Bonds**”) to be issued by the City of Stockton (the “**City**”) concurrently with the issuance of the Bonds,

(ii) to acquire two series of reassessment bonds (the “**Reassessment Bonds**”) to be issued by the City concurrently with the issuance of the Bonds,

(iii) to refund two series of revenue bonds of the Authority (the “**2005 Authority Bonds**”), and incident to such refunding have assigned to the Trustee three additional series of reassessment bonds issued by the City (the “**2005 AD Bonds**”),

* Preliminary, subject to change.

(iv) fund a reserve fund for the Bonds or purchase a debt service reserve insurance policy for the Bonds, and

(v) pay costs of issuance of the Bonds.

The CFD Bonds, the Reassessment Bonds and the 2005 AD Bonds are referred to collectively in this Official Statement as the “**Acquired Obligations.**” See “FINANCING PLAN” for a further description of the uses of the proceeds of the Bonds and of the Acquired Obligations.

Description of the Bonds

The Bonds will be issued in denominations of \$5,000 or any integral multiple of \$5,000. Interest is payable semiannually on each March 2 and September 2, commencing March 2, 2017. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee’s books. See “THE BONDS.”

Redemption

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

Security and Sources of Payment for the Bonds

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

Acquired Obligations

The CFD Bonds. The “**CFD Bonds**” consist of four separate series of special tax refunding bonds being issued by the City for four different related community facilities district (collectively, the **CFDs**, and each a “**CFD**”), including the (i) City of Stockton Spanos Park West Community Facilities District No. 2001-1, Special Tax Refunding Bonds, Series 2016, (ii) City of Stockton Camera Estates Community Facilities District No. 2003-1, Special Tax Refunding Bonds, Series 2016, (iii) City of Stockton Community Facilities District No. 2006-3 (Northbrook), Special Tax Refunding Bonds, Series 2016, and (iv) City of Stockton Community Facilities District No. 2006-1 (Riverbend), Special Tax Refunding Bonds, Series 2016.

Authority for Issuance. The CFD Bonds are being issued under the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “**Mello-Roos Act**”), and four separate Fiscal Agent Agreements, each dated as of August 1, 2016 (collectively, the “**CFD Bonds Fiscal Agent Agreements**”), between the City, for and on behalf of each

respective CFD, and Wells Fargo Bank, National Association, as fiscal agent (the “**CFD Fiscal Agent**”).

Purposes. Each series of the CFD Bonds is being issued to (i) refund a series of special taxes bonds previously issued by the City for the respective CFD (collectively, the “**Prior CFD Bonds**”), and (ii) pay a portion of the costs of issuing the respective CFD Bonds and of issuing the Bonds. See “FINANCING PLAN.”

Security and Sources of Payment. Each series of the CFD Bonds is payable from “**Net Taxes**” resulting from the levy of Special Taxes on Taxable Parcels within the related CFD, which are generally defined as gross proceeds of the Special Taxes levied on certain property in the respective CFD and received by the City, less amounts set aside to pay Administrative Expenses, and not including any penalties collected in connection with delinquent Special Taxes or any interest so collected in excess of the interest due on the related CFD Bonds. See “SECURITY FOR THE CFD BONDS” and “THE CFDS.”

The Reassessment Bonds and the 2005 AD Bonds. The “**Reassessment Bonds**” consist of two separate series of limited obligation refunding bonds being issued by the City in respect of two related reassessment districts (together with the reassessment districts for the three series of 2005 AD Bonds, the “**Reassessment Districts**,” and each a “**Reassessment District**”), including the (i) Limited Obligation Refunding Bonds City of Stockton, Reassessment District No. 2016-1 (March/Holman), and (ii) Limited Obligation Refunding Bonds City of Stockton, Reassessment District No. 2016-2 (Waterford Estates East Phase II). The “**2005 AD Bonds**” consist of three series of limited obligation refunding bonds each issued by the City in 2005 in respect of a related Reassessment District, including the (i) City of Stockton Limited Obligation Refunding Bonds Morada North Assessment District No. 2002-01 (Reassessment and Refunding of 2005), (ii) City of Stockton Limited Obligation Refunding Bonds Morada Ranch Assessment District No. 2000-01 (Reassessment and Refunding of 2005), and (iii) City of Stockton Limited Obligation Refunding Bonds Waterford Estates East Assessment District No. 2002-03 (Reassessment and Refunding of 2005).

Authority for Issuance. The Reassessment Bonds are being issued, and the 2005 AD Bonds were issued, under the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 (commencing with Section 9500) of the Streets and Highways Code of California (the “**Reassessment Act**”), and two separate Fiscal Agent Agreements, with respect to the two series of Reassessment Bonds, each dated as of August 1, 2016, and with three separate Bond Indentures, with respect to the three series of 2005 AD Bonds, each dated as of August 1, 2005 (such two Fiscal Agent Agreements and three Bond Indentures being collectively referred in this Official Statement to as the “**Reassessment Bonds Authorizing Agreements**”), between the City and Wells Fargo Bank, National Association, as fiscal agent (the “**Reassessment Fiscal Agent**”).

Purposes. Each series of the Reassessment Bonds is being issued, and each series of the 2005 AD Bonds was issued, to: (i) refund a series of limited obligation assessment bonds previously issued by the City in respect of the related Reassessment District (with respect to the Reassessment Bonds, the “**Prior AD Bonds**”), and (ii) pay the costs of issuing the respective Reassessment Bonds and a portion of the costs of issuing the Bonds (with regard to the Reassessment Bonds) or the 2005 Authority Bonds (with respect to the 2005 AD Bonds). See “FINANCING PLAN.”

Security and Sources of Payment. Each series of the Reassessment Bonds and of the 2005 AD Bonds is payable from reassessments (the “**Reassessments**”) levied and collected by the City on the parcels within the related Reassessment District. See

“SECURITY FOR THE REASSESSMENT BONDS” and “THE REASSESSMENT DISTRICTS.”

No Cross-Collateralization Between Districts

The Special Taxes levied on property in a CFD are available only to pay debt service on the CFD Bonds issued for that CFD, and may not be used to make up any shortfall in the funds available to pay debt service on any other series of the CFD Bonds or any series of the Reassessment Bonds or the 2005 AD Bonds. Similarly, the Reassessments levied on property in a Reassessment District are available only to pay debt service on the Reassessment Bonds or the 2005 AD Bonds issued for that Reassessment District, and may not be used to make up any shortfall in the funds available to pay debt service on any other series of the Reassessment Bonds or any series of the CFD Bonds. See “SECURITY FOR THE CFD BONDS,” “SECURITY FOR THE REASSESSMENT BONDS” and “THE DISTRICTS IN THE AGGREGATE.”

Debt Service Reserve

The Bonds are further secured by a Reserve Fund, which will be held by the Trustee under the Indenture, and which will be maintained in an amount equal to the Reserve Requirement (as defined herein) for the Bonds. On the Closing Date, it is expected that the Authority will deposit a municipal bond debt service reserve insurance policy issued by _____ with the Trustee in satisfaction of its obligation to fund the Reserve Fund to the Reserve Requirement. See “SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR – Reserve Fund.”

Teeter Plan; Foreclosure Covenant

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

To provide additional security for the Acquired Obligations, the City has agreed to a foreclosure covenant in the legal documents applicable to each of the Acquired Obligations, as described under “SECURITY FOR THE CFD BONDS – Covenants of the City” and “SECURITY FOR THE REASSESSMENT BONDS – Covenants of the City.”

Limited Obligations; Risk Factors

The Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues and funds pledged therefor in the Indenture. The Bonds are not a debt or liability of the City, the State of California or any political subdivisions thereof other than the Authority and then only to the limited extent set forth in the Indenture, and neither the faith and credit of the Authority, the City, the State or any of its political subdivisions are pledged to the payment of principal of, premium, if any, or interest on the Bonds, and neither the Authority (except to the limited extent described herein), the City, the State nor any of its political subdivisions is liable therefor, nor in any event will the Bonds or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Authority pledged therefor in the Indenture. Neither the Bonds nor the obligation to make payments on the CFD Bonds, the Reassessment Bonds or the 2005 AD Bonds constitutes an indebtedness of the Authority, the City, the State or any of its political subdivisions within the

meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

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

Application for Municipal Bond Insurance and Reserve Account Insurance

The Authority has made application for bond insurance for all or a portion of the Bonds, and for the provision of a debt service reserve insurance policy to be held for the benefit of the Reserve Fund. Should the Authority select a bond insurer (the "Bond Insurer") and/or a debt service reserve insurance policy provider, then the Authority will release such information prior to the initial sale of the Bonds, and this Official Statement, including the text hereof and the summary of principal legal documents appended hereto, will be revised to reflect the terms of the commitment or commitments to issue any such policies.

Legal Matters

The legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds, including certain exemptions to the tax treatment of interest on the Bonds, are described more fully under the heading "LEGAL MATTERS – Tax Matters" herein. Certain legal matters will be passed on for the Authority by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and for the Authority and the City by the City Attorney. Certain legal matters will be passed on for the Underwriters by their counsel, Nossaman LLP, Irvine, California.

Professional Services

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

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

Willdan Financial Services prepared reassessment reports for the two Reassessment Districts for which the Reassessment Bonds are being issued, acts as Special Tax Administrator for the CFDs, and is expected to assist the City as Dissemination Agent under the Continuing Disclosure Certificate referred to herein.

Fees payable to Bond Counsel, Disclosure Counsel, Underwriter's Counsel, the Municipal Advisor and Wells Fargo Bank, National Association for its several roles (other than as Fiscal Agent for the 2005 AD Bonds) are contingent upon the sale and delivery of the Bonds.

FINANCING PLAN

Purpose of Issue

The Bonds are being issued (i) to acquire the four series of CFD Bonds, which will be issued by the City concurrently with the issuance of the Bonds, (ii) to acquire the two series of Reassessment Bonds, which will be issued by the City concurrently with the issuance of the Bonds, (iii) to refund the 2005 Authority Bonds and incident to such refunding have assigned to

the Trustee three series of 2005 AD Bonds, (iv) fund a reserve fund for the Bonds or purchase a debt service reserve insurance policy for the Bonds, and (v) pay costs of issuance of the Bonds. As previously stated, the CFD Bonds, the Reassessment Bonds and the 2005 AD Bonds are collectively referred to in the Indenture as the “Acquired Obligations.”

The aggregate debt service on the Acquired Obligations has been structured so that the Authority will receive sufficient funds, in both time and amount, to enable it to pay debt service on the Bonds. See “THE BONDS – Debt Service Coverage on the Bonds.”

Refunding Plan for Prior Obligations

On the date of issuance of the Bonds (the “**Closing Date**”), the City and Wells Fargo Bank, National Association, as fiscal agent for each series of the Prior CFD Bonds and the Prior AD Bonds, and as trustee for the 2005 Authority Bonds (the “**Escrow Bank**,”) will enter into an Escrow Agreement (the “**Escrow Agreement**”) with respect to the refunding and defeasance of the Prior CFD Bonds, the Prior AD Bonds and the 2005 Authority Bonds (collectively, the “**Prior Obligations**”). The City will cause a portion of the proceeds of the Bonds and amounts held with respect to the Prior Obligations to be transferred to the Escrow Bank for deposit into an escrow fund (the “**Escrow Fund**”). The funds deposited to the Escrow Fund will be invested in certain federal securities, or will be held uninvested, as provided in the Escrow Agreement. The amounts deposited to the Escrow Fund and the investment earnings thereon will be sufficient, as verified by Grant Thornton, LLP, to provide for the redemption in whole and legally defease all of the outstanding Prior Obligations. The Prior CFD Bonds will all be redeemed on September 1, 2016, and the Prior AD Bonds and the 2005 Authority Bonds will all be redeemed on September 2, 2016.

Upon deposit of the aforementioned funds in the Escrow Fund, all of the Prior Obligations will be legally defeased, and the Prior CFD Bonds will no longer be payable from special tax levies on properties in the CFDs, the Prior AD Bonds will no longer be payable from assessment or reassessment, as applicable, levies on properties in the Reassessment Districts, and the 2005 Authority Bonds will no longer be payable from debt service payments on the 2005 AD Bonds.

The amounts held and invested by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Prior Obligations. Neither the funds deposited in the Escrow Fund nor the interest on the invested funds will be available for the payment of debt service on the CFD Bonds, the Reassessment Bonds, the 2005 AD Bonds or the Bonds.

Estimated Sources and Uses of Funds

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

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

- (1) To be used to acquire the CFD Bonds and the Reassessment Bonds on the Closing Date. See "FINANCING PLAN – Purpose of Issue."
- (2) To be used to refund the 2005 Authority Bonds on the Closing Date. See "FINANCING PLAN – Refunding of Prior Obligations" above.
- (3) To be used to pay the costs of issuing the Bonds, the CFD Bonds and the Reassessment Bonds, including Trustee and Fiscal Agent fees, Bond Counsel fees, Disclosure Counsel fees, Municipal Advisor, Special Tax Consultant and Reassessment Engineer fees, costs of bond insurance and a reserve account insurance policy, and printing costs, among other costs.

In addition to the foregoing, there is expected to be held for the benefit of the Reserve Fund a debt service reserve insurance policy. See "INTRODUCTION – Application for Municipal Bond Insurance and Reserve Account Insurance" and "SECURITY FOR THE BONDS – Reserve Fund."

THE BONDS

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

Authority for Issuance

The Bonds are being issued under the Act, the Authority Resolution, which was adopted by the Board of Directors of the Authority on June 28, 2016, and the Indenture. Under the Authority Resolution, the Bonds may be issued in a principal amount not to exceed \$45,000,000.

Bond Terms

General. The Bonds will be dated their date of delivery, and will be issued in the aggregate principal amounts set forth on the inside cover page hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 2 and September 2, commencing March 2, 2017 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page hereof.

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

Payment of Interest and Principal. Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner of such Bond as of the applicable Record Date (the 15th day of the calendar month preceding an Interest Payment Date, whether or not such day is a Business Day), such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail, postage prepaid, to the Owner at the address of such Owner as it appears on the Bond Register or by wire transfer to an account in the United States of America made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds of a Series provided to the Trustee in writing at least 5 Business Days before the Record Date for such Interest Payment Date.

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

Calculation of Interest. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2017, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest on such Bond is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on such Bond, or from the Closing Date if no interest has been paid or made available for payment.

Redemption

Optional Redemption. The Bonds may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any Interest Payment Date on or after September 2, ____, as a whole, or in part from maturities corresponding proportionately to the maturities of the Acquired Obligations simultaneously redeemed, if any redemption of Acquired Obligations is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, and by lot within a maturity, at a redemption price equal to principal amount of the Bonds to be redeemed, plus accrued interest on the Bonds to the date of redemption, without premium.

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

Special Mandatory Redemption. The Bonds are subject to special mandatory redemption on any Interest Payment Date from proceeds of early redemption of Acquired Obligations from prepayment of Special Taxes or Reassessments, in whole or in part, from maturities corresponding proportionately to the maturities of the Acquired Obligations simultaneously redeemed, at the principal amount of the Bonds, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

Redemption Date	Redemption Premium
Any Interest Payment Date from March 2, ____ through March 2, ____ September 2, ____ and thereafter	%

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

Mandatory Sinking Fund Redemption. The Bonds maturing September 2, ____ are subject to mandatory sinking payment redemption in part on September 2, ____, and on each September 2 thereafter to maturity, by lot, at a redemption price equal to 100% of their principal amount to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Term Bonds of ____	
Mandatory Redemption Date (September 2)	Sinking Fund Payment
	\$

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

Neither failure to receive any such notice so mailed nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest on such Bonds. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue after the redemption date.

In addition to the foregoing notice, further notice will be given by the Trustee in said form by first class mail to any Bondowner whose Bond has been called for redemption but who

has failed to submit his Bond for payment by the date which is 60 days after the redemption date, but no defect in said further notice nor any failure to give or receive all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption.

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

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

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

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

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

Book-Entry Only System

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

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

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

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

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

Debt Service Schedule for the Bonds

The table below sets forth the scheduled annual debt service for the Bonds, assuming no optional or special mandatory redemptions of the Bonds prior to their respective maturities. The scheduled aggregate debt service on the Bonds is less than the aggregate of the scheduled debt service on the CFD Bonds, the Reassessment Bonds and the 2005 AD Bonds. See “THE BONDS – Debt Service Coverage on the Bonds.”

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

Year Ending September 2	Principal	Interest	Total
2017	\$	\$	\$
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
Totals	\$	\$	\$

Debt Service Coverage on the Bonds

The following table sets forth the scheduled annual debt service on the CFD Bonds, the Reassessment Bonds, the 2005 AD Bonds and the Bonds, and the percentage by which the total scheduled annual debt service on the Acquired Obligations exceeds the scheduled annual debt service on the Bonds.

TABLE 2
Stockton Public Financing Authority
Debt Service Coverage on the Bonds⁽¹⁾

Year Ending (September 2)	Scheduled Debt Service on CFD 2001-1 Bonds(2)	Scheduled Debt Service on CFD 2003-1 Bonds(2)	Scheduled Debt Service on CFD 2006-3 Bonds(2)	Scheduled Debt Service on CFD 2006- 1 Bonds(2)	Scheduled Debt Service on March Lane/ Holman Bonds(3)	Scheduled Debt Service on Waterford Estates Bonds(3)	Scheduled Debt Service on Morada North Bonds(3)	Scheduled Debt Service on Morada Ranch Bonds(3)	Scheduled Debt Service on Waterford Estates East Bonds(3)	Total Acquired Obligations Revenue(4)	Bond Debt Service	Debt Service Coverage
2017	\$1,351,585	\$178,516	\$316,888	\$215,661	\$138,672	\$214,271	\$226,400	\$394,365	\$147,570	\$3,183,927	\$2,897,702	1.10
2018	1,351,785	178,763	321,972	216,061	139,264	214,271	226,400	394,365	147,820	3,190,699	2,915,194	1.09
2019	1,350,785	178,736	329,087	216,231	139,637	214,271	226,400	394,365	147,720	3,197,231	2,911,544	1.10
2020	1,352,578	178,428	337,855	216,061	136,509	214,271	226,400	394,365	147,338	3,203,806	2,921,244	1.10
2021	1,352,928	177,547	346,025	215,656	139,586	214,271	226,400	394,365	146,618	3,213,396	2,923,844	1.10
2022	1,351,178	176,442	351,362	220,016	139,071	214,271	226,400	394,365	145,581	3,218,686	2,934,494	1.10
2023	1,351,366	175,110	362,743	218,841	138,369	214,271	226,400	394,365	144,161	3,225,626	2,932,894	1.10
2024	1,349,803	177,407	366,749	217,429	137,481	214,271	226,400	394,365	147,442	3,231,347	2,929,344	1.10
2025	1,351,491	175,399	374,551	215,639	139,625	214,271	226,400	394,365	145,017	3,236,757	2,938,844	1.10
2026	1,351,210	176,967	386,923	218,606	138,176	214,271	226,400	394,365	147,177	3,254,095	2,950,244	1.10
2027	1,348,960	178,081	391,716	216,089	136,542	214,271	226,400	394,365	143,777	3,250,199	2,952,331	1.10
2028	1,351,928	178,740	404,525	218,329	137,938	214,271			145,097	2,650,827	2,440,069	1.09
2029	1,352,353	175,091	411,625	220,084	138,962	214,271			145,775	2,658,160	2,447,819	1.09
2030	1,350,235	178,921	422,283	216,354	136,393	214,271			145,712	2,664,169	2,449,069	1.09
2031	1,350,572	178,216	429,543	217,335	136,857	214,271			145,075	2,671,868	2,456,188	1.09
2032		177,056	438,020	217,585	136,947	214,271			143,862	1,327,741	1,191,600	1.11
2033		175,442	446,865	217,335	133,446				147,075		1,009,650	1.11
2034			458,880	216,585	136,194						727,200	1.12
2035			469,467	220,335							612,400	1.13
2036			480,823	218,335							625,450	1.12
2037			490,612								432,600	1.13

- (1) Preliminary, subject to change. See Table 3 under the heading THE DISTRICTS IN THE AGGREGATE – Varying Maturity Dates of the Acquired Obligations” for the principal amount of each of the Acquired Obligations as of the date of issuance of the Bonds. Interest on each series of the CFD Bonds and on the two series of the Reassessment Bonds is based on interest rates that are one-hundred basis points in excess of the interest rates for the Bonds. Interest on the three series of the 2005 AD Bonds is based on the interest rates in effect for such bonds prior to the refunding of the 2005 Authority Bonds. Interest on the Bonds is based on a total interest cost of 3.204%. All such interest rates and principal amounts are subject to change, except the interest rates for the three series of the 2005 AD Bonds.
- (2) See APPENDIX C for information regarding each of the Community Facilities Districts.
- (3) See APPENDIX D for information regarding each of the Reassessment Districts.
- (4) Assumes no delinquencies in payment of Special Taxes or Reassessments levied on properties in the CFDs or the Reassessment Districts, and thereby no failure by the City to timely pay the principal of and interest on the Acquired Obligations.

SECURITY FOR THE BONDS

This section provides a summary of the security for the Bonds and certain provisions of the Indenture. See "APPENDIX A – Summary of Principal Legal Documents" for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

General

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

Limited Obligations. The Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues, all of the right, title and interest of the Authority in the Acquired Obligations, and amounts in the Reserve Fund, subject to the terms of the Indenture. The Bonds are not a debt or liability of the City, the State of California or any political subdivisions thereof other than the Authority to the limited extent described in this Official Statement, and neither the faith and credit of the Authority, the City, the State or any of its political subdivisions are pledged to the payment of principal of, premium, if any, or interest on the Bonds and neither the Authority, the City, the State nor any of its political subdivisions is liable therefor, nor in any event will the Bonds or any interest or redemption premium thereunder be payable out of any funds or properties other than those of the Authority as set forth in the Indenture. Neither the Bonds nor the obligation to make payments under the CFD Bonds, the Reassessment Bonds or the 2005 AD Bonds constitute an indebtedness of the Authority, the City (except to the limited extent described herein), the State nor any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

Revenues; Flow of Funds

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

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

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

Application of Revenues. On each Interest Payment Date and date for redemption of the Bonds, the Trustee will transfer from the Revenue Fund, and deposit into the following respective accounts for the Bonds, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. On each Interest Payment Date and redemption date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.

No deposit need be made into the Interest Account if the amount contained in such account is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date or redemption date, as applicable.

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

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

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

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

Reserve Fund. On each Interest Payment Date and redemption date on which the balance in the Reserve Fund is less than the Reserve Requirement, after making deposits required as described above, the Trustee shall transfer from the Revenue Fund an amount sufficient to increase the balance in the Reserve Fund to the Reserve Requirement by depositing the amount necessary to make the various Accounts therein equal, together, the Reserve

Requirement; provided, however, that the value of the moneys deposited therein, as invested, shall be valued at market value on such transfer date for purposes of making such determination.

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

Deposit into Rebate Fund. On each Interest Payment Date after making the transfers described above, upon receipt of a Request of the Authority to do so, the Trustee will transfer from the Revenue Fund to the Rebate Fund for deposit in the accounts in the Rebate Fund the amounts specified in such Request.

Residual Fund. On September 2 of each year, after making the deposits described above, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Residual Fund.

Reserve Fund

The Indenture creates a Reserve Fund to be held by the Trustee, and provides that there shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. On the Closing Date, the Authority shall deposit into the Reserve Fund an amount equal to the Reserve Requirement for the Bonds in the form of a debt service reserve insurance policy (the “**Reserve Account Insurance Policy**”) issued by the Bond Insurer, which meets the requirements of a Qualified Reserve Fund Credit Instrument under the Indenture.

If the Reserve Fund is ever funded with cash, a separate account will be established within the Reserve Fund for each Acquired Obligation, and the cash will be allocated to each such account as determined by the Authority. In the event that the amount of the Reserve Requirement is reduced because of the payment at final maturity or prepayment of Special Taxes or Reassessments related to an Acquired Obligation, the Indenture provides that Trustee shall, upon receipt of a Request of the Authority, adjust the balance in any account provided that the total amount in the Reserve Fund equals the Reserve Requirement.

Funds or proceeds of draws on the Reserve Account Insurance Policy in the Reserve Fund shall be used solely for the purposes set forth in the Indenture. Subject to the limitations set forth in the following paragraph, amounts in the Reserve Fund may be applied to pay the principal of and interest on the Bonds when the moneys in the Interest Account and the Principal Account of the Revenue Fund are insufficient therefor. In addition, any funds held in the Reserve Fund may be applied (i) in connection with an optional redemption of the Bonds or a defeasance pursuant to the Indenture, but only to the extent that amounts remaining on deposit in the Reserve Fund after such application are equal to the Reserve Requirement, (ii) in connection with prepayments of Reassessments or Special Taxes, (iii) when the balance therein equals the principal and interest due on the Bonds to and including maturity, or (iv) when amounts in certain accounts of the Reserve Fund are transferred to the Interest Account and the Principal Account as a credit against the payments due on the Acquired Obligations on the transfer dates specified below.

If the amounts in the Interest Account or the Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Bonds when due, the Trustee is directed in

the Indenture to withdraw from the Reserve Fund (by means of drawing on the Reserve Account Insurance Policy) for deposit in the Interest Account and the Principal Account, as applicable, moneys necessary for such purposes.

On August 1 of each year, any interest earned on any investment of monies on deposit in the Reserve Fund which would cause the amount therein to exceed the Reserve Requirement shall be applied as set forth in the Indenture.

When funds in an account of the Reserve Fund are sufficient to repay the remaining principal and interest due on the respective series of Acquired Obligations, such amount shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on the applicable series of Acquired Obligations, with the amount transferred from such account being deposited first to the Interest Account as a credit on the interest due on the applicable series of Acquired Obligations on such date and the balance being deposited to the Principal Account as a credit on the principal due on the applicable series of Acquired Obligations on such date. In such event, the Trustee shall notify the City that no further payments will be required with respect to the applicable series of Acquired Obligations.

The Authority has the right at any time to release funds from the Reserve Fund, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument shall cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Authority to the Trustee of written calculation of the amount permitted to be released from the Reserve Fund and the applicable accounts therein (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Fund (and the applicable accounts therein) to the Authority free and clear of the lien of this Indenture. The Trustee shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the foregoing.

At least fifteen (15) days prior to the expiration of any Qualified Reserve Fund Credit Instrument, the Authority shall be obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Reserve Fund (and the applicable accounts therein) is equal to the Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Authority shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Fund Credit Instrument in full and deposit the proceeds of such draw in the Reserve Fund (and the applicable accounts therein).

In the event that the Reserve Requirement shall at any time be maintained in the Reserve Fund (and the applicable accounts therein) in the form of a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Reserve Fund (and the applicable accounts therein) before the Trustee shall draw any moneys under such Qualified Reserve Fund Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Fund Credit Instrument to make any payment then required to be made from the Reserve Fund (and the applicable accounts therein), the Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be

made pursuant to the Indenture, shall be used to reinstate the Qualified Reserve Fund Credit Instrument.

Residual Fund

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

On September 3 of each year, the Authority shall calculate the Residual Fund Credit Amount, and, in a Request of the Authority, direct the Trustee to transfer the Residual Fund Credit Amount for each respective series of 2005 AD Bonds stated in such request, to the Fiscal Agent of the respective series of 2005 AD Bonds for payment of debt service on such respective series of 2005 AD Bonds. So long as Acquired Obligations are outstanding, on September 3 of each year, after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses and Residual Fund Credit Amounts described subsection (b) above, any moneys remaining in the Residual Fund shall be transferred by the Trustee to the Authority to be used for any lawful purpose.

Additional Refunding Bonds

Refunding Bonds. The Authority has covenanted in the Indenture not to issue additional obligations secured by a pledge of the Revenues under the Indenture equally and ratably with Bonds, except that the Authority may issue bonds secured on parity with the Bonds to refund all or a portion of the Bonds.

Refunding CFD Bonds. The City has covenanted in each of the Fiscal Agent Agreements that it will not issue additional obligations secured by a pledge of Special Taxes or by the Special Tax Revenues under the CFD Fiscal Agent Agreements for the CFD Bonds equally and ratably with the respective CFD Bonds, except that the City may issue bonds secured on a parity with a series of the CFD Bonds to refund all or a portion of a related series of the CFD Bonds.

Refunding Reassessment Bonds. The City covenants in each of the Fiscal Agent Agreements for the Reassessment Bonds that it will not encumber, pledge or place any charge or lien upon any of the Reassessments or other amounts pledged to the Reassessment Bonds superior to or on a parity with the pledge and lien created under the Fiscal Agent Agreements for the Reassessment Bonds for the benefit of the Reassessment Bonds, except that the City may issue bonds secured on a parity with a series of the Reassessment Bonds to refund all or a portion of a related series of the Reassessment Bonds.

2005 AD Bonds. The City has covenanted in each of the Bond Indentures for the 2005 AD Bonds that it will not encumber, pledge or place any charge or lien upon any of the Reassessments or other amounts pledged to the 2005 AD Bonds superior to or on a parity with the pledge and lien created under the Bond Indentures for the 2005 AD Bonds for the benefit of the 2005 AD Bonds, except that the City may issue bonds secured on a parity with a series of the 2005 AD Bonds to refund all or a portion of a related series of the 2005 AD Bonds.

SECURITY FOR THE CFD BONDS

This section provides summaries of the security for each series of the CFD Bonds and certain provisions of the CFD Fiscal Agent Agreements. See "APPENDIX A – Summary of Principal Legal Documents" for a more complete summary of the CFD Fiscal Agent Agreements. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

General

Each series of the CFD Bonds constitutes a limited obligation of the City that is secured by a first lien on and pledge of, and is payable solely from, Net Taxes (defined below) collected in the related CFD and amounts deposited by the City in the Special Tax Fund for the related CFD. The City's obligation to pay the principal of, premium, if any, and interest on any series of the CFD Bonds is limited to Net Taxes collected in the related CFD and amounts in the Special Tax Fund for the related CFD.

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

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

Special Taxes; Gross Taxes; Net Taxes

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

Except for the portion of any Prepayment to be deposited to the Redemption Account, and except with respect to any remaining moneys in the funds and accounts relating to the Prior Bonds, the Fiscal Agent will, on each date on which the Special Taxes are received from the City, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Authority, as sole Owner of the CFD Bonds. The Fiscal Agent will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the CFD Fiscal Agent Agreement, in the following order of priority, to: (i) the Interest Account of the Special Tax Fund; (ii) the Principal Account of the Special Tax Fund; (iii) the Redemption Account of the Special Tax Fund; and (iv) the Surplus Fund.

Priority of Lien

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

Covenants of the City

In each CFD Fiscal Agent Agreement, the City has covenanted as follows, among other things:

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

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

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

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

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

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

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

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

(i) each parcel for which there are delinquent Special Taxes of \$2,500 or more for the prior Fiscal Year or Fiscal Years, and

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

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

Rate and Method

The Special Tax for each respective CFD is levied and collected according to the rate and method of apportionment of special taxes for the applicable CFD (each, a "**Rate and Method**"). Each Rate and Method provides that the City or its designee will, for each Fiscal Year, determine the Annual Costs for the respective CFD and will levy Special Taxes on Taxable Parcels in the CFD as needed to provide for the Annual Costs, subject to maximum special tax rates for Taxable Parcels which vary among the CFDs. **Annual Costs** is defined in each Rate and Method generally as for any Fiscal Year, the total of (i) scheduled debt service on the CFD Bonds to be paid from Special Taxes collected in the respective CFD during such Fiscal Year; (ii) Administrative Expenses of the City related to the CFD and the respective CFD Bonds for such Fiscal Year; (iii) any amounts needed to replenish any reserve fund for the related CFD Bonds to the level required under the Fiscal Agent Agreement for the CFD Bonds (note, however, that none of the Fiscal Agent Agreements for the CFD Bonds provides for any such reserve fund); (iv) an amount equal to Special Tax delinquencies in the respective CFD anticipated for the current Fiscal Year, less any credit from any revenues accrued to the CFD as approved by the City, and/or less any fund available from prepaid Special Taxes as prescribed in the Rate and Method; and (v) pay-as-you-go expenditures for authorized facilities to be constructed or acquired by the CFD. As stated above, there are no reserve funds for the CFD Bonds.

Each Rate and Method allows for Special Taxes to be prepaid, and in the event of any such prepayment a portion of the related CFD Bonds, and consequently a portion of the Bonds,

will be redeemed prior to maturity. See “THE BONDS – Redemption – Special Mandatory Redemption.” Also, each Rate and Method provides for a final Fiscal Year in which Special Taxes may be levied in the respective CFD. See the discussions under the subheadings “Rate and Method; Maximum Special Taxes” for each CFD in Appendix C.

Refunding CFD Bonds

The City has covenanted in the Fiscal Agent Agreement that it will not issue additional obligations secured by a pledge of Special Taxes or by the Special Tax Revenues equally and ratably with CFD Bonds, except that the City may issue bonds secured on parity with a series of CFD Bonds to refund all or part of the related series of the CFD Bonds.

SECURITY FOR THE REASSESSMENT BONDS AND THE 2005 AD BONDS

This section provides summaries of the security for the Reassessment Bonds and the 2005 AD Bonds and certain provisions of the Reassessment Bonds Authorizing Agreements. See “APPENDIX A – Summary of Principal Legal Documents” for a more complete summary of the Reassessment Bonds Authorizing Agreements. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

General

Pledge of Reassessments and Moneys in Funds. Each series of the Reassessment Bonds and of the 2005 AD Bonds will be secured by a first pledge (which pledge will be effected in the manner and to the extent provided in the applicable Reassessment Bonds Authorizing Agreement) of all of the Reassessments and all moneys deposited in the Redemption Fund for the related Reassessment District. The Reassessments and all moneys deposited into such fund (except as otherwise provided in the applicable Reassessment Bonds Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the related Reassessment Bonds or 2005 AD Bonds as provided in the applicable Reassessment Bonds Authorizing Agreement and in the Reassessment Act until all of the related Reassessment Bonds or 2005 AD Bonds, have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the provisions of the respective Reassessment Bonds Authorizing Agreement relating to discharge of such agreement. The Reassessments were levied under proceedings taken by the City under the Reassessment Act.

Limited Obligations. All obligations of the City under the Reassessment Bonds Authorizing Agreements, the Reassessment Bonds and the 2005 AD Bonds are not general obligations of the City, but are limited obligations, payable solely from the Reassessments for the applicable Reassessment District and the funds pledged for the respective Reassessment Bonds or 2005 AD Bonds under the applicable Reassessment Bonds Authorizing Agreement. Neither the faith and credit of the City nor of the State of California or any political subdivision thereof is pledged to the payment of any of the Reassessment Bonds or 2005 AD Bonds.

The Reassessment Bonds and the 2005 AD Bonds are “Limited Obligation Refunding Improvement Bonds” and are payable solely from and secured solely by the Reassessments and the amounts in the Redemption Fund created under the respective Reassessment Bonds Authorizing Agreements. Notwithstanding any other provision of the Reassessment Bonds Authorizing Agreements, the City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in any Redemption Fund.

Priority of Lien

Each installment of the Reassessment and any interest and penalties on such Reassessments constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes, any other special assessment liens and the lien of any community facilities district special taxes. See the description of direct and overlapping governmental obligations under the subheading "Direct and Overlapping Indebtedness" for each Reassessment District in Appendix D."

Covenants of the City

In each Reassessment Bonds Authorizing Agreement, the City covenants as follows, among other things:

Punctual Payment. It will punctually pay or cause to be paid the principal of, and interest and any premium on, the Reassessment Bonds or 2005 AD Bonds, as applicable, when and as due in strict conformity with the terms of the Reassessment Bonds Authorizing Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Reassessment Bonds Authorizing Agreement and all Supplemental Agreements and of the Reassessment Bonds and the 2005 AD Bonds.

Against Encumbrance. It will not encumber, pledge or place any charge or lien upon any of the Reassessments or other amounts pledged to the Reassessment Bonds or 2005 AD Bonds, as applicable, superior to or on a parity with the pledge and lien created in the Reassessment Bonds Authorizing Agreement for the benefit of the Reassessment Bonds or 2005 AD Bonds, as applicable, except as permitted by the Resolution of Issuance, the Reassessment Bonds Authorizing Agreement or applicable law, and except that the City may issue bonds to refund all or part of the Reassessment Bonds or the 2005 AD Bonds.

Collection of Reassessments. The City will comply with all requirements of the Reassessment Bonds Authorizing Agreement or applicable law to assure the timely collection of the Reassessments, including, without limitation, the enforcement of delinquent Reassessments. Any funds received by the City in and for the Reassessment District, including, but not limited to, collections of Reassessments upon the secured tax rolls, collections of delinquent Reassessments and penalties on such delinquent Reassessments, through foreclosure proceedings and the prepayment of Reassessments or portions thereof, will be immediately transmitted directly to the Reassessment Fiscal Agent, without deduction, to be deposited into the funds and accounts specified below. To that end, the following will apply:

(i) The Reassessments, as set forth on the List of Unpaid Reassessments on file with the Chief Financial Officer, together with the interest on the Reassessments, will be payable in annual series corresponding in number to the number of serial maturities of the Reassessment Bonds or 2005 AD Bonds, as applicable, issued.

An annual proportion of each Reassessment will be payable in each year preceding the date of maturity of each of the several series of Reassessment Bonds or 2005 AD Bonds, as applicable, issued sufficient to pay the Reassessment Bonds or 2005 AD Bonds, as applicable, when due and such proportion of each Reassessment coming due in any year, together with the annual interest thereon, will be payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interests after delinquency as do the general taxes on real property.

All sums received from the collection of the Reassessments and of the interest and penalties on such Reassessments will be placed in the Redemption Fund. In addition, all sums received by the City with respect to the assessments levied in connection with the Prior Bonds, including any penalties and delinquencies, shall be placed in the Redemption Fund. Any prepayments of Reassessments will be placed in the Prepayment Account established under and administered in accordance with the Reassessment Bonds Authorizing Agreement.

(ii) The Chief Financial Officer will, before the final date on which the Auditor will accept the transmission of the Reassessments for the parcels within the Reassessment District for inclusion on the next tax roll, prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the installments of the Reassessments on the next secured tax roll of the County. The Finance Director is authorized to employ consultants to assist in computing the installments of the Reassessments under the Reassessment Bonds Authorizing Agreement and in reconciling Reassessments billed to amounts received as provided in paragraph (iii) below.

(iii) The Reassessments will be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. In addition to any amounts authorized pursuant to the Bond Law to be included with the annual amounts of installments as aforesaid, the City, pursuant to section 8682.1 of the Bond Law, may cause to be entered on the assessment roll on which taxes will next become due, opposite each lot or parcel of land within the Reassessment District in the manner set forth in said section 8682, each lot's pro rata share of the estimated annual expenses of the City in connection with the administrative duties thereof for the Reassessment Bonds, including, but not limited to, the costs of registration, authentication, transfer and compliance with the covenants of the Reassessment Bonds Authorizing Agreement, which amounts will be used to defray the costs of the City in complying with the provisions of the Reassessment Bonds Authorizing Agreement. Delinquent Reassessments will be subject to foreclosure as described below.

Commence Foreclosure Proceedings. The City has covenanted in each Reassessment Bonds Authorizing Agreement that it will, with and for the benefit of the Owners of the related Reassessment Bonds or 2005 AD Bonds, order, and cause to be commenced, and thereafter diligently prosecute an action in the superior court to foreclose the lien of any Reassessment or installment thereof which has been billed, but has not been paid as follows.

The City will cause to be determined, no later than October 1 of each Fiscal Year in which the Reassessment Bonds or 2005 AD Bonds are outstanding, whether or not any owners of the real property within the District are delinquent in the payment of Reassessment installments. The City shall order and cause judicial foreclosure actions to be commenced in Superior Court no later than 60 days following such determination against:

(i) each parcel for which there are delinquent Reassessment installments of \$2,500 or more for the prior Fiscal Year or Fiscal Years, and

(ii) each parcel for which there are delinquent Reassessment installments for the prior Fiscal Year or Fiscal Years if the City determines that the amount of delinquent Reassessment installments for the prior Fiscal Year for the entire Reassessment District,

less the total delinquencies under (i) above, exceeds five percent (5%) of the total Reassessment installments due and payable in the prior Fiscal Year.

Refunding Reassessment Bonds and 2005 AD Bonds

The City covenants in the each Reassessment Bonds Authorizing Agreement that it will not encumber, pledge or place any charge or lien upon any of the Reassessments or other amounts pledged to the Reassessment Bonds or 2005 AD Bonds, as applicable, superior to or on a parity with the pledge and lien created for the benefit of the Reassessment Bonds or 2005 AD Bonds, as applicable, except that the City may issue bonds to refund all or part of the respective Reassessment Bonds or 2005 AD Bonds.

THE DISTRICTS IN THE AGGREGATE

Introduction

This section presents certain information with respect to the four CFDs and the five Reassessment Districts (each a “**District**”) on a combined basis for informational purposes. However, the Bonds are secured by nine distinct revenue streams, being the debt service payments on the four series of CFD Bonds, debt service payments on the two series of Reassessment Bonds and debt service payments on the three series of 2005 AD Bonds. See “SECURITY FOR THE BONDS.”

Within the combined Districts, there are a total of 5,022 parcels. Of those parcels, 2,608 are subject to the liens of the respective CFD Bonds and 2,414 are subject only to the lien of the Reassessment Bonds.

No Cross-Collateralization Between Districts. The Special Taxes levied on property in a CFD are available only to pay debt service on the related CFD Bonds, and may not be used to make up any shortfall in the funds available to pay debt service on any other series of the CFD Bonds, on the Reassessment Bonds or the 2005 AD Bonds. Similarly, the Reassessments are available only to pay debt service on the related Reassessment Bonds or 2005 AD Bonds, and may not be used to make up any shortfall in the funds available to pay debt service on any other series of the Reassessment Bonds or 2005 AD Bonds, or on the CFD Bonds. See “SECURITY FOR THE CFD BONDS” and “SECURITY FOR THE REASSESSMENT BONDS.”

Separate Methods for the Calculation, Levy and Collection of Special Taxes and Reassessments. Moreover, the parcels in each District are taxed and/or assessed according to that District’s specific Rate and Method or the Reassessment Act, as applicable.

Assessed Value-to-Debt Ratios. Special Taxes and Reassessments, as applicable, are levied against individual parcels within each District and any such parcel may have an assessed value-to-debt burden less than the overall assessed value-to-debt burden for such District as to all parcels within such District, or less than the assessed value-to-debt burden of the two Districts in the aggregate. In particular, an individual parcel upon which development has not taken place may have an assessed value-to-debt burden of less than 1 to 1.

Varying Maturity Dates of the Acquired Obligations

The final maturities of the Acquired Obligations are on different dates. Consequently, the source of security for debt service on the Bonds varies depending upon the characteristics of the underlying Districts. See "THE BONDS –Debt Service Schedules for the Bonds, the CFD Bonds and the Reassessment Bonds" for the full debt service schedule for each series of the Acquired Obligations.

The table below summarizes the final maturity dates of each of the Acquired Obligations and the principal amount of each Acquired Obligation as of the date of issuance of the Bonds.

TABLE 3
Stockton Public Financing Authority
Combined all CFDs and Reassessment Districts
Summary of the Acquired Obligations

District	Maturity Date	Principal Amount*
CFD 2001-1 Spanos Park West	9/1/2031	\$15,575,000
CFD 2003-1 Camera Estates	9/1/2033	2,215,000
CFD 2006-1 Riverbend	9/1/2036	3,015,000
Area 1 of CFD 2006-3 Northbrook	9/1/2037	5,510,000
March Lane/Holman READ No. 2016-1	9/2/2034	1,790,000
Waterford Estates East Phase II READ 2016-2	9/2/2033	1,825,000
Morada Ranch AD 2000-01	9/2/2027	3,223,567
Morada North AD 2002-01	9/2/2027	1,853,637
Waterford Estates East AD 2002-03	9/2/2032	2,277,796
Total		<u>\$37,285,000</u>

* Preliminary, subject to change.

Summary Information on Parcels Within The Districts

Table 4 below sets forth information regarding the number of parcels, the net acreage, the Fiscal Year 2015-16 County assessed value, the direct and overlapping indebtedness and the overall value-to-lien ratio for parcels associated with each of the nine Acquired Obligations, as well as the current Special Tax or Reassessment delinquency rate for the respective parcels.

TABLE 4
Stockton Public Financing Authority
Combined all CFDs and Reassessment Districts
Summary Information⁽¹⁾

District	# of Parcels	Net Acres	2015/16 AV	Direct and Overlapping Debt	Value to Lien	% of levy Delin- quency
CFD 2001-1 Spanos Park West	1,257	202.18	\$385,696,104	\$21,402,556	18.02	0.99
CFD 2003-1 Camera Estates	431	62.25	99,285,552	6,082,654	16.32	0.23
CFD 2006-1 Riverbend	583	78.56	137,138,321	8,282,782	16.56	0.77
Area 1 of CFD 2006-3 Northbrook	337	45.65	102,349,001	7,150,774	14.31	0.93
March Lane/Holman READ No. 2016-1	295	47.64	75,033,424	5,126,079	14.64	0.51
Waterford Estates East Phase II READ 2016-2	210	36.34	66,909,649	3,520,647	19.00	0.48
Morada Ranch AD 2000-01	1,077	198.50	295,006,894	9,012,869	32.73	1.58
Morada North AD 2002-01	587	99.47	154,693,619	5,116,443	30.23	0.98
Waterford Estates East AD 2002-03	245	43.10	78,061,297	4,128,846	18.91	0.48
	5,022	813.70	\$1,394,173,861	\$69,823,650	19.97	0.93

(1) For detailed information regarding each of the four Community Facilities Districts see APPENDIX C, and for detailed information regarding each of the Reassessment Districts and Assessment Districts see APPENDIX D.
Source: Willdan Financial Services.

The tables below show the development status, the number of parcels and acres, assessed values, and share of the total assessed values for the parcels in the Districts, based on the City's compilation of Fiscal Year 2015-16 County Assessor's data and the burden of the related total direct and overlapping debt.

For purposes of the assessed value-to-burden tables, "developed property" represents parcels with assessed valuations for both land and improvements. Parcels included in the "undeveloped property" category are parcels with an assessed valuation for land only. Additional information on property ownership, current land uses, assessed values and assessed value-to-burden ratios for each of the Districts can be found in Appendices C and D.

TABLE 5
Stockton Public Financing Authority
City of Stockton
Combined all CFDs and Reassessment Districts
Development Status⁽¹⁾

Land Use Category	Number Obligated Parcels	Total Direct and Overlapping Debt ⁽²⁾	% of Total ⁽²⁾	2015/16 Assessed Value ⁽³⁾	% Total Assessed Value
Developed	5,013	\$69,686,729	99.80%	\$1,393,471,208	99.95%
Undeveloped	9	136,921	0.20	702,653	0.05
	5,022	\$69,823,650	100.00%	\$1,394,173,861	100.00%

(1) A parcel is categorized as developed if the value of the structure is located thereon is greater than \$0.

(2) Preliminary, subject to change.

(3) Source: FY 2015/16 San Joaquin County Tax Roll, as compiled by Willdan Financial Services. For newly developed parcels for which tax roll data was unavailable, recorded transaction prices from the developer to the homeowner were used.

Source: Willdan Financial Services and California Municipal Statistics, Inc.

TABLE 6
Stockton Public Financing Authority
City of Stockton
Combined all CFDs and Reassessment Districts
Ownership/Land Use Distribution

Land Use Category	Number Obligated Parcels	Total Direct and Overlapping Debt ⁽¹⁾	% of Total ⁽¹⁾	2015/16 Assessed Value ⁽²⁾	% Total Assessed Value
Developed Single Family	5,008	\$68,369,115	97.92%	\$1,356,501,927	97.30%
Vacant Residential	9	126,426	0.18	864,685	0.06
Commercial	3	1,265,423	1.81	35,360,238	2.54
Fast Food	1	38,079	0.05	1,447,011	0.10
School District Properties	1	24,609	0.04	0	0.00
	5,022	\$69,823,650	100.00%	\$1,394,173,861	100.00%

(1) Preliminary, subject to change.

(2) Source: FY 2015/16 San Joaquin County Tax Roll, as compiled by Willdan Financial Services. For newly developed parcels for which tax roll data was unavailable, recorded transaction prices from the developer to the homeowner were used.

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Property Values and Assessed Value-to-Burden Ratios on an Aggregate Basis

Assessed Value. Article XIII A of the California Constitution (Proposition 13) defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value’, or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2 percent for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Because of the general limitation to 2% per year in increases in full cash value of properties that remain in the same ownership, the county tax roll does not reflect values uniformly proportional to actual market values.

No assurance can be given that should a parcel with delinquent installments be foreclosed and sold for the amount of the delinquency, that any bid will be received for such property, or if a bid is received that such bid will be sufficient to pay such delinquent installments.

No Appraisal. The Authority has not obtained an appraisal to estimate the current market value of the parcels within the Districts. Therefore, all estimates of value used in this Official Statement are based solely on the fiscal year 2015-16 assessed values provided by the County Assessor. The current market value of the parcels within the Districts may be less than the County Assessor’s values shown in this Official Statement.

Assessed Value-to-Burden Ratios. The following table sets forth the estimated assessed value-to-burden ratios for the District in the aggregate, based upon fiscal year 2015-16 assessed values and the principal amounts of the Acquired Obligations and other overlapping governmental indebtedness.

TABLE 7
Stockton Public Financing Authority
City of Stockton
Combined all CFDs and Reassessment Districts
Value-to-Lien Categories⁽¹⁾

Value to Lien Category	No. Obligated Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value ⁽²⁾	% Total Assessed Value	Average Value to Lien
Greater than 20:1	2,847	\$34,288,959	49.11%	\$ 862,952,232	61.90%	25.2
15:1 to 19.9:1	1,314	20,884,752	29.91	347,276,682	24.91	16.6
10:1 to 14.9:1	829	14,049,942	20.12	178,973,889	12.84	12.7
5:1 to 9.9:1	27	510,196	0.73	4,748,748	0.34	9.3
1:1 to 4.9:1	4	65,193	0.09	222,310	0.02	3.4
Less than 1:1 ⁽³⁾	1	24,609	0.04	0	0.00	0.0
	5,022	\$69,823,650	100.00%	\$1,394,173,861	100.00%	20.0

(1) Preliminary, subject to change.

(2) Source: FY 2015/16 San Joaquin County Tax Roll, as compiled by Willdan Financial Services. For newly developed parcels for which tax roll data was unavailable, recorded transaction prices from the developer to the homeowner were used.

(3) APN 126-040-46 is owned by Lodi Unified School District. Due to public ownership, San Joaquin County has not assigned an assessed value to this parcel.

Source: Willdan Financial Services and California Municipal Statistics, Inc.

No Major Land Owners

The top ten property owners responsible for the greatest share of the combined liens of the Districts represent approximately 2.56% of the combined lien of the Special Taxes, Reassessments and overlapping governmental indebtedness.

The following table lists the top ten lienholders with respect to Taxable Parcels in the Districts for fiscal year 2015-16, based on the Special Tax levy, the levy of the Reassessments and overlapping governmental indebtedness, and fiscal year 2015-16 assessed values.

TABLE 8
Stockton Public Financing Authority
City of Stockton
Combined all CFDs and Reassessment Districts
2015-16 Top Property Owners⁽¹⁾

Property Owner	Land Use	Parcels	Total Direct and Overlapping Debt ⁽²⁾	% of Total ⁽²⁾	2015/16 Assessed Value ⁽³⁾	Value to Lien ⁽²⁾
WALMART REAL ESTATE BUSINESS TR	Commercial	1	\$ 770,401	1.10%	\$ 21,819,883	28.3
LOWES HIW INC	Commercial	1	475,983	0.68	12,640,355	26.6
NCT AMT LLC	Residential	6	91,990	0.13	1,760,000	19.1
AJ HERITAGE HOMES INC	Residential	6	78,458	0.11	1,079,858	13.8
VALLEY FAMILY INVESTORS LLC	Residential	6	75,528	0.11	1,311,356	17.4
ASNANI, MOHAN & BINA ETAL	Residential	4	67,845	0.10	1,159,859	17.1
HOLLOWAY, BRIAN TR	Residential	5	64,047	0.09	960,792	15.0
LE, HENRY & PHUNG THI TR	Residential	4	57,507	0.08	933,028	16.2
SPILLANE, JAMES & CELESTE	Residential	4	53,812	0.08	1,095,577	20.4
SINGH, HARPAL & ASHVINDAR	Residential	3	52,130	0.07	874,000	16.8
All Others	Various ⁽⁴⁾	4,982	68,035,950	97.44	1,350,539,153	19.9
		5,022	\$69,823,650	100.00%	\$1,394,173,861	20.0

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.

(2) Preliminary, subject to change.

(3) Source: FY 2015/16 San Joaquin County Tax Roll, as compiled by Willdan Financial Services. For newly developed parcels for which tax roll data was unavailable, recorded transaction prices from the developer to the homeowner were used.

(4) Includes Residential, Vacant Residential, School District Properties, and Commercial.

Source: Willdan Financial Services and California Municipal Statistics, Inc.

As noted above, the Acquired Obligations mature at different times and, as a result, the aggregate significance of the various Districts and the relative concentration of the property owners in the Districts will change over time. See “– Varying Maturity Dates of the Acquired Obligations” above and “RISK FACTORS” below.

Delinquencies

Delinquency Rates. The following table sets forth the historic delinquencies in the payment of Special Taxes and Reassessments for the Districts in the aggregate.

TABLE 9
Stockton Public Financing Authority
City of Stockton
Combined all CFDs and Reassessment Districts
Delinquency Summary
as of May 13, 2016

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	5,022	3	\$4,024,610	\$ 1,202	0.03%
2011/12	5,022	1	3,956,947	444	0.01
2012/13	5,022	3	4,040,651	1,150	0.03
2013/14	5,021	3	4,043,785	1,371	0.03
2014/15	5,022	11	3,873,082	6,136	0.16
2015/16 ⁽¹⁾	5,006 ⁽²⁾	67	3,974,470	36,981	0.93

(1) Reflects the delinquent amount of the FY15/16 Special Tax as of May 13, 2016.

(2) There are 16 parcels in CFD 2006-3 Northbrook that are Taxable Parcels, but with respect to which no Special Tax levy was needed to pay the debt service on the related CFD Bonds.

Source: San Joaquin County as compiled by Willdan Financial Services

Teeter Plan. The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, each taxing entity receives 100% of the taxes and assessments levied, without regard to delinquencies. The CFDs and the Reassessment Districts are currently covered under the County’s Teeter Plan. The Board of Supervisors may choose to discontinue the Teeter Plan in its entirety or to exclude or to exclude or limit the coverage for community facilities districts and assessment districts or for a CFD or a Reassessment District specifically. The County has not taken action to discontinue the Teeter Plan entirely or to remove any of the Districts from the Teeter Plan; *however, there can be no assurance that the County will not choose to discontinue the Teeter Plan in the future, or choose to remove all or a portion of a CFD or a Reassessment District from its Teeter Plan coverage.*

Typical Overall Property Tax Rates

The following Table 10 sets forth, for a typical parcel in each CFD and in each Reassessment District, the estimated total property tax rate inclusive of the annual Special Tax or Reassessment levy, as applicable, together with overlapping tax and assessment debt levies.

TABLE 10
Stockton Public Financing Authority
Combined all CFDs and Reassessment Districts
Sample Residential Tax Rates⁽¹⁾

District	APN	Land Use	Total Assessed Value ⁽²⁾	Total Taxes Due	Tax Rate
CFD 2001-01 Spanos Park West	066-130-34-0000	Residential	\$302,000	\$4,756	1.57%
AD 2000-01 Morada Ranch	126-300-17-0000	Residential	245,354	3,408	1.39
AD 2002-01 Morada North	124-120-21-0000	Residential	261,275	3,686	1.41
AD 2002-03 Waterford Estates	070-470-19-0000	Residential	326,000	4,504	1.38
AD 2003-01 March Lane / Homan	128-160-43-0000	Residential	260,000	4,358	1.68
AD 2003-03 Waterford Estates East Phase II	070-490-14-0000	Residential	327,875	5,002	1.53
CFD 2003-01 Camera Estates	128-180-35-0000	Residential	231,002	3,781	1.64
CFD 2006-1 Riverbend	128-320-53-0000	Residential	234,650	3,778	1.61
CFD 2006-3 Northbrook	084-180-25-0000	Residential	302,490	4,932	1.63

(1) Sample tax bill for a single family home with the median land use and median home value.

(2) Fiscal Year 2015/16 assessed value, excluding homeowner's exemption.

Source: Willdan Financial Services and County of San Joaquin.

Note that the assessed values of the parcels in any particular CFD or Reassessment District vary, and may not be reflective of the market value of the respective parcels. See "RISK FACTORS—Assessed Valuations."

THE CFDs

For information regarding each of the four CFDs, see Appendix C.

THE REASSESSMENT DISTRICTS

For information regarding each of the five Reassessment Districts, see Appendix D.

RISK FACTORS

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

Limited Obligation to Pay Debt Service

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

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

The Reassessment Bonds and the 2005 AD Bonds. The City has no obligation to pay principal of or interest on a series of the Reassessment Bonds or 2005 AD Bonds if Reassessment collections in the respective Reassessment District are delinquent or otherwise insufficient to pay the scheduled debt service on such Reassessment Bonds, other than from amounts, if any,

derived from the foreclosure and sale of parcels with Reassessment delinquencies. The City is not obligated to advance its own funds to pay debt service on the Reassessment Bonds or the 2005 AD Bonds.

Levy and Collection of the Special Taxes

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

Limitation on Special Tax Rate. The annual levy of the Special Tax on any parcel in a CFD is limited to the maximum Special Tax rate authorized in the Rate and Method for such CFD. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the related CFD Bonds. Also, the Mello-Roos Act provides that under no circumstances will the Special Taxes levied in any fiscal year against any parcel used for private residential purposes be increased by more than ten percent (10%) as a consequence of a delinquency or default by the owner or owners of any other parcel or parcels within the respective CFD.

No Relationship Between Property Value and Special Tax Levy. Because the allocation of the Special Taxes in each of the Rate and Methods for the CFDs is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Parcels and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Parcels and their proportionate share of debt service on the CFD Bonds issued for the respective CFD, and certainly not a direct relationship.

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

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

Property Tax Delinquencies. Failure of the owners of Taxable Parcels to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. See Tables C-6, C-12, C-18 and C-24 in APPENDIX C for tables showing the Special Tax delinquency rates for parcels in the CFDs.

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

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

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

Collection of the Reassessments

General. The principal source of payment of principal of and interest on the Reassessment Bonds is the proceeds of the annual collection of the Reassessments against parcels within the Reassessment District.

Fixed Lien. Reassessment installments billed will be in aggregate amounts equal to debt service on the Reassessment Bonds. Payments of Reassessment installments made by the owners of parcels will be applied on a pro-rata basis to all Reassessment Bonds for which the Reassessment installments are due and could result in a lesser amount being applied to the Reassessment Bonds if the amount paid by the property owners is less than the total Assessment installment. The Reassessment installments cannot be billed or collected at a higher rate even if the failure to do so means that the estimated proceeds of the collection of the Reassessments, together with other available funds, will not be sufficient to pay debt service on the Reassessment Bonds.

No Relationship Between Property Value and Reassessments. Because the Reassessment amounts contained in the Reassessment Report are not based on property value, the collection of the Reassessments will rarely, if ever, result in a uniform relationship between the value of particular parcels and the amount of the Reassessments against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels and their proportionate share of debt service on the Reassessment Bonds, and certainly not a direct relationship.

Factors that Could Lead to Reassessment Deficiencies. The following are some of the factors that might cause the collection of the Reassessments on any particular parcel to vary from the Reassessments that might otherwise be expected:

Property Tax Delinquencies. Failure of the parcel owners to pay property taxes (and, consequently, the Reassessments), or delays in the collection of or inability to collect the Reassessments by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Reassessments. See Tables D-5, D-10, D-15, D-20 and D-25 in APPENDIX D for tables showing the Reassessment delinquency rates for the parcels in the Reassessment Districts.

Limitations Associated with Foreclosure Sales. The Reassessment Bonds Fiscal Agent Agreement provides that the Reassessments are to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE

REASSESSMENT BONDS," is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

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

The California Streets and Highways Code provides that under certain circumstances property may be sold upon foreclosure at a lesser Minimum Price or without a Minimum Price. "Minimum Price" as used in the Streets and Highways Code is the amount equal to the delinquent installments of principal or interest of the Reassessment, together with all interest penalties, costs, fees, charges and other amounts. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an "ultimate loss" to the Owners of the Reassessment Bonds, or, under certain circumstances, if holders of 75% or more of the outstanding Reassessment Bonds consent to such sale.

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

Assessed Valuations

The City has not commissioned an appraisal of the parcels in the CFDs or the Reassessment Districts in connection with the issuance of the Bonds. Therefore, the estimated valuation of the Taxable Parcels in the CFDs and of the Reassessment Parcels in the Reassessment District set forth in this Official Statement are based on the County Assessor's values. The assessed value is not an indication of what a willing buyer might pay for a property. The assessed value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the Taxable Parcels in the CFDs or the Reassessment Parcels in the Reassessment District could be sold for the assessed value if that property should become delinquent and subject to foreclosure proceedings.

Property Values

The value of Taxable Parcels within the CFDs and of the Reassessment Parcels within the Reassessment Districts is a critical factor in determining the investment quality of the Bonds. If a parcel owner defaults in the payment of the Special Taxes or the Reassessments, the City's only remedy is to foreclose on the delinquent property.

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

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

Declines in home values in the Districts could also result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes or Reassessments, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes or Reassessments would delay the commencement and completion of foreclosure proceedings.

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

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

Flood Risk. Because of its location, historically, property within the City may be subject to seasonal flooding; however, the land in the City is not within a 100-year flood zone as determined by the Federal Emergency Management Agency.

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

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the property values is a claim with regard to a hazardous substance. In general, the owners and operators of property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Parcels in the CFDs or Reassessment Parcels in the Reassessment Districts be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of

remediating the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Although the City is not aware that the owner or operator of any of the Taxable Parcels in the CFDs or Reassessment Parcels in the Reassessment Districts has such a current liability, it is possible that such liabilities do currently exist. Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the property values that would otherwise be realized upon a delinquency.

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

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

Other Possible Claims Upon the Property Values

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

Tables listing of the outstanding governmental obligations affecting each of the Districts are set forth under the subheadings "Direct and Overlapping Indebtedness" in the descriptions of the CFDs and Reassessment Districts in Appendices C and D, respectively.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels within the CFDs or Reassessment Districts, and may be secured by a lien on a parity with the lien of the Special Tax securing the respective CFD Bonds or the lien of the Reassessments securing the respective Reassessment Bonds or 2005 AD Bonds.

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

Enforcement of Special Taxes or Reassessments on Governmentally Owned Properties

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

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

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

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

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

Neither the City nor the Authority has undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the CFDs or Reassessments within the Reassessment Districts. No assurance can be given as to the likelihood that the risks described above will materialize while the CFD Bonds, the Reassessment Bonds and the 2005 AD Bonds are outstanding.

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

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

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

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

The Authority and the City are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within a CFD, or of Reassessments on a parcel within a Reassessment District, in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes or Reassessments to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a default in payment on one or more series of the CFD Bonds, or Reassessment Bonds or the 2005 AD Bonds.

Exemptions Under a Rate and Method and the Mello-Roos Act. Certain properties are exempt from the Special Tax in accordance with the Rate and Method for each CFD and the Mello-Roos Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within a CFD acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax.

In addition, although the Mello-Roos Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Mello-Roos Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Depletion of Reserve Fund

The Authority will establish and maintain a Reserve Fund for the Bonds under the Indenture that may be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the debt service payments on the Acquired Obligations. See "SECURITY FOR THE BONDS – Reserve Fund." If funds in the Reserve Fund are depleted, the funds can be replenished from the proceeds of future debt service payments on the Acquired Obligations that are in excess of the amount required to pay all amounts to be paid to the Authority under the Indenture.

Bankruptcy Delays

The payment of the Special Taxes or Reassessments, and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax or Reassessment, may be limited by

bankruptcy, insolvency or other laws generally affecting creditors' rights or by State laws relating to judicial foreclosure.

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

Although bankruptcy proceedings would not cause the Special Taxes or Reassessments 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 or Reassessments 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 one or more series of the CFD Bonds, Reassessment Bonds or 2005 AD Bonds, as applicable.

Disclosure to Future Purchasers

The City has recorded, in the Office of the County Recorder, a notice of the Special Tax lien with respect to each CFD and a Notice of Reassessment with respect to each Reassessment District. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider the obligations represented by the Special Taxes or Reassessments in the purchase of a parcel of land or a home in a CFD or a Reassessment District, as applicable, or the lending of money secured by property in a CFD or a Reassessment District, as applicable.

No Acceleration; Right to Pursue Remedies

None of the Bonds, the CFD Bonds, the Reassessment Bonds or the 2005 AD Bonds contain a provision allowing for acceleration if a payment default or other default occurs under the Indenture, a CFD Fiscal Agent Agreement or a Reassessment Bonds Authorizing Agreement. See "APPENDIX A – Summary of Principal Legal Documents."

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

Loss of Tax Exemption

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

Risks Related to Insured Bonds and the Reserve Account Insurance Policy

If the Authority fails to provide funds to make payment of the principal of and interest with respect to any Bonds (the "Insured Bonds") subject to a bond insurance policy (the "Policy") when the same shall become due, any owner of such Insured Bonds shall have a claim on the Policy for such payments.

Purchasers of the Insured Bonds should also note that, while the Policy will insure payment of the principal amount (but not any premium) paid to any owner of the Insured Bonds in connection with the mandatory or optional prepayment of any Insured Bond which is recovered from such owner as a voidable preference under applicable bankruptcy law, such amounts will be repaid by the Bond Insurer to the Bondowner only at the times and in the amounts as would have been due absent such prepayment unless the Bond Insurer chooses to pay such amount at an earlier date or dates.

So long as the Insured Bonds are Outstanding and the Bond Insurer performs its obligations under the Policy, the Bond Insurer shall be deemed to be the sole owner of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent of direction or taking any other action that the owners of the Insured Bonds are entitled to take pursuant to the Indenture pertaining to defaults and remedies, and the duties and obligations of the Trustee.

If the Bond Insurer is unable to make payments of principal of and interest on the Insured Bonds as such payments become due, the Insured Bonds are payable solely from moneys received by the Trustee pursuant to the Indenture. If the Bond Insurer is required to pay principal of or interest on the Insured Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Insured Bonds.

The long-term rating on the Insured Bonds is dependent, in part, on the claims paying ability or financial strength ratings, as applicable, of the Bond Insurer. The Bond Insurer's current claims paying ability or financial strength ratings are predicated upon a number of factors which could change over time and could result in downgrading of the ratings on the Insured Bonds. Such a downgrade could adversely affect the market price for, and marketability of, the Insured Bonds. The Bond Insurer is not contractually bound to maintain its present claims paying ability or financial strength ratings in the future.

Over the last 8 years, rating agencies have downgraded or withdrawn the ratings on the claims-paying ability and financial strength of most of the nation's bond insurance companies. Deterioration in the financial condition of the provider of any reserve account insurance policy or a failure to honor a draw by any provider under its reserve account insurance policy could occur. The Authority is not required under the Indenture to replace any reserve account insurance policy with cash or a replacement instrument in the event the ratings of its provider decline or are withdrawn. Further, the Authority has no obligation to replace any reserve account insurance policy or to fund the Reserve Fund with cash if, at any time the Bonds are outstanding, amounts are unavailable under any reserve account insurance policy.

The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption. See "THE BONDS – Redemption."

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

Voter Initiatives

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

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the CFD Bonds, the Reassessment Bonds or the 2005 AD Bonds.

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

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

The Special Taxes and bonded indebtedness of each of the CFDs were each authorized by not less than a two-thirds vote of the landowners within the respective CFD voting on the matter who constituted the qualified electors at the time of such voted authorization. The Reassessments have been authorized under the summary proceedings provided by law for refinancing of existing assessment districts. The City believes, therefore, that issuance of the CFD Bonds and the Reassessment Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26, and the issuance of the 2005 AD Bonds also did not require any such further proceedings.

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

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments

to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

THE AUTHORITY

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

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

LEGAL MATTERS

Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Bonds. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such

Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

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

Absence of Litigation

The Authority and the City will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds, the CFD Bonds, or the Reassessment Bonds or the 2005 AD Bonds, and that no action, suit or proceeding is known by the Authority or the City to be pending that would restrain or enjoin the delivery of the Bonds, the CFD Bonds, the Reassessment Bonds or the 2005 AD Bonds, or contest or affect the validity of the Bonds, the CFD Bonds, the Reassessment Bonds or the 2006 AD Bonds, or any proceedings of the Authority or the City taken with respect to the Bonds, the CFD Bonds, the Reassessment Bonds or the 2005 AD Bonds.

Legal Opinion

All proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. The unqualified opinion of Bond Counsel approving the validity of the Bonds is attached as APPENDIX E.

RATING

S&P Global Ratings has assigned its municipal bond rating of "A-" to the Bonds. Such rating reflects only the views of S&P Global Ratings, and any desired explanation of the significance of such rating may be obtained from S&P Global Ratings at the following web address: ratings_request@spglobal.com. Generally, a rating agency bases its rating on the

information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. Except as otherwise required in the Continuing Disclosure Certificate, neither the Authority nor the City has undertaken any responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of the rating or to oppose any such revision or withdrawal. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

VERIFICATION OF MATHEMATICAL ACCURACY

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

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

MUNICIPAL ADVISOR

The City and the Authority have retained Del Rio Advisors, LLC, Modesto, California, as their Municipal Advisor (the "**Municipal Advisor**") in connection with the authorization and delivery of the Bonds. The Municipal Advisor has assisted in various matters relating to the planning, structuring and sale of the Bonds. The Municipal Advisor has not independently verified any of the data contained in the Official Statement or conducted a detailed investigation of the affairs of the City or the Authority to determine the accuracy or completeness of this Official Statement.

UNDERWRITING

RBC Capital Markets, LLC and Hilltop Securities (the "**Underwriters**"), have agreed to purchase the Bonds at a purchase price of \$_____ (being the aggregate principal amount of the Bonds (\$_____*), less an underwriter's discount of \$_____, and plus a net original issue premium of \$_____).

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

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments

(which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

CONTINUING DISCLOSURE

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

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

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

EXECUTION

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

STOCKTON PUBLIC FINANCING
AUTHORITY

By: _____

Its: _____

CITY OF STOCKTON

By: _____

Its: _____

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

INDENTURE OF TRUST RELATING TO THE BONDS

The following is a summary of certain provisions of the Indenture of Trust relating to the Bonds not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the full text of the Indenture of Trust for the complete terms thereof.

Certain Definitions.

“Acquired Obligations” means the Reassessment Bonds, the CFD Bonds and the 2005 AD Bonds.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as it may hereafter be amended from time to time.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds of a Series in such Bond Year, and (b) the principal amount of the Outstanding Bonds of a Series scheduled to be paid in such Bond Year.

“Authority Administrative Expenses” means the fees and expenses of the Trustee, including legal fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and the out of pocket expenses incurred by the Trustee, the City and the Authority in carrying out their duties hereunder including payment of amounts payable to the United States pursuant to the Indenture.

“Authorized Officer” means (i) with respect to the Authority, the Chairman, Executive Director, Secretary or Treasurer of the Authority or any other Person authorized by the Authority to perform an act or sign a document on behalf of the Authority for purposes of this Indenture and (ii) with respect to the City, its City Manager, Finance Director or City Clerk, or any other Person authorized by the City to perform an act or sign a document on behalf of the City for purposes of this Indenture.

“Beneficial Owners” means the actual purchasers of the Bonds whose ownership interests are recorded on the books of the DTC Participants.

“Bond Counsel” means Jones Hall, A Professional Law Corporation, and its successors; or any other attorney at law or firm of attorneys selected by the Authority, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means the Marks Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as it may hereafter be amended from time to time.

“Bond Year” means each twelve month period extending from September 3 in one calendar year to September 2 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date to September 2, 2016, both dates inclusive.

“Bonds” means the Authority’s Revenue Bonds (Assessment and Special Tax District Refundings) Series 2016A authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which the New York Stock Exchange or banks in New York, New York or Los Angeles, California, or where the Trust Office is located, are not required or authorized to remain closed.

“Certificate of the Authority” means a certificate in writing signed by an Authorized Officer of the Authority.

“CFD Act” means the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 (commencing with Section 53311), Article 1 of Division 2 of Title 5 of the Government Code of that State of California, as amended from time to time.

“CFD 2001-1 Spanos Park West” means City of Stockton Spanos Park West Community Facilities District No. 2001-1, a community facilities district formed pursuant to the CFD Act.

“CFD 2003-1 Camera” means City of Stockton Camera Estates Community Facilities No. 2003-1, a community facilities district formed pursuant to the CFD Act.

“CFD 2006-1 Riverbend” means City of Stockton Community Facilities District No. 2006-1 (Riverbend), a community facilities district formed pursuant to the CFD Act.

“CFD 2006-3 Northbrook” means City of Stockton Community Facilities District No. 2006-3 (Northbrook), a community facilities district formed pursuant to the CFD Act.

“CFD” or “Community Facilities District” means, as applicable, each of CFD 2001-1 Spanos Park West, CFD 2003-1 Camera, CFD 2006-1 Riverbend and CFD 2006-3 Northbrook, and “CFDs” or “Community Facilities Districts” means all of them.

“CFD Bonds” means the (i) Spanos Park West Community Facilities District No. 2001-1, Special Tax Refunding Bonds, Series 2016; (ii) Camera Estates Community Facilities No. 2003-1, Special Tax Refunding Bonds, Series 2016; (iii) Community Facilities District No. 2006-3 (Northbrook), Special Tax Refunding Bonds, Series 2016; and (iv) Community Facilities District No. 2006-1 (Riverbend), Special Tax Refunding Bonds, Series 2016.

“CFD Bonds Fiscal Agent” means the fiscal agent under each CFD Bonds Fiscal Agent Agreement, initially Wells Fargo Bank, National Association.

“Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official guidance published, under the Code.

“Event of Default” means any of the events described as such in the Indenture.

“Fair Market Value” means, with respect to any investment, the price at which a willing buyer would purchase such 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 Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the 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 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 Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means any of the following:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation).

(b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

“Fiscal Year” means any twelve month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve month period selected and designated by the Authority as its official fiscal year period.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom –

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not an officer or employee of the Authority, or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Independent Financial Consultant” means any financial consultant or firm of such consultants appointed and paid by the Authority, and who, or each of whom –

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not an officer or employee of the Authority or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Interest Payment Date” means March 2 and September 2 in each year, beginning March 2, 2017, and continuing thereafter so long as any Bonds remain Outstanding.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service on a Series during the current or any future Bond Year.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed and issued by the Authority and authenticated and delivered by the Trustee under the Indenture except –

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation pursuant to the Indenture;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture or Bonds called for redemption for which funds have been provided as described in the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds will have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

“Owner” or “Bond Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond will be registered on the Bond Register.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, 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 Trustee and its affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association will be rated in the highest

short-term rating category by any Rating Agency or (ii) such demand or time deposits will be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase 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 whose short-term obligations are rated, at the time of purchase, in the highest short-term rating category by any Rating Agency or whose long-term obligations are rated A or better, at the time of purchase, by each such 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 Dollars (\$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 Trustee, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated, at the time of purchase, in the highest rating category by any Rating Agency;

(i) any investment agreement, repurchase agreement or other investment instrument which represents the general unsecured obligations of a bank, investment banking firm or other financial institution whose long-term obligations are rated at the time of delivery of the investment agreement, repurchase agreement or other investment instrument A or better by any Rating Agency; and

(j) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code.

“Principal Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Prior AD Bonds” means the \$3,100,000 City of Stockton Limited Obligation Improvement Bonds March Lane/Holman Assessment District 2003-1 (the “March/Holman AD Prior Bonds”) pursuant to a Fiscal Agent Agreement, dated as of March 1, 2004, between the City and Wells Fargo Bank, National Association; and \$3,360,000 City of Stockton Limited Obligation Improvement Bonds Waterford Estates East Phase II Assessment District No. 2003-3 (the “Waterford AD Prior Bonds”).

“Prior Assessment District” means, as applicable, the City of Stockton March Lane/Holman Assessment District 2003-1 and Waterford Estates East Phase II Assessment District No. 2003-3 and “Prior Assessment Districts” means both of them.

“Prior CFD Bonds” means the (i) \$21,635,000 City of Stockton Spanos Park West Community Facilities District No. 2001-1 Special Tax Bonds, Series 2006 (the “Spanos Park West CFD Prior Bonds”); (ii) \$3,250,000 City of Stockton Camera Estates Community Facilities District No. 2003-1 Special Tax Bonds, Series 2003 (the “Camera Estates CFD Prior Bonds”); (iii) \$6,100,000 City of Stockton Community Facilities District No. 2006-3 (Northbrook) Special Tax Bonds, Series 2006 (the “Northbrook CFD Prior Bonds”); and (iv) \$4,090,000 City of Stockton Community Facilities District No. 2006-1 (Riverbend) Special Tax Bonds, Series 2006 (the “Riverbend CFD Prior Bonds”).

“Prior Obligations” means, collectively, the Prior CFD Bonds, the Prior AD Bonds and the 2005 Authority Bonds.

“Purchase Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Reassessment Bonds” means the (i) Limited Obligation Refunding Bonds, Reassessment District No. 2016-1 (March/Holman); and (ii) Limited Obligation Refunding Bonds, Reassessment District No. 2016-2 (Waterford Estates East Phase II).

“Reassessment District” means, as applicable, the (i) City of Stockton Reassessment District No. 2016-1 (March/Holman); and (ii) City of Stockton Reassessment District No. 2016-2 (Waterford Estates East Phase II).

“Reassessments” means the unpaid reassessments levied within each Reassessment District by the City Council under the proceedings taken pursuant to the Refunding Assessment Bond Law.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Refunding Assessment Bond Law” means the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 of the Streets and Highways Code of the State of California.

“Request of the Authority” means a written request executed by an Authorized Officer of the Authority.

“Request of the City” means a written certificate or request executed by an Authorized Officer of the City.

“Residual Fund Annual Credit” means, as of the next Business Day following each September 2 during the term of each series of 2005 AD Bonds, that amount calculated by the Authority for each series of 2005 AD Bonds as follows:

Step 1: Calculate the “Available Residual Fund Credit Amount” as follows: (i) divide the sum of the actual amount received by the Trustee for debt service payments scheduled to be made on all of the 2005 AD Bonds on the preceding March 2nd and September 2nd by the sum of the actual amount received by the Trustee for debt service payments scheduled to be made on all Acquired Obligations on the preceding March 2nd and September 2nd; and (ii) multiply the quotient determined pursuant to (i) by the amount then in the Residual Fund;

Step 2: For each series of 2005 AD Bonds, divide the sum of the actual amount received by the Trustee for debt service payments scheduled to be made on respective series of 2005 AD Bonds on the preceding March 2nd and September 2nd by the sum of

the debt service payments scheduled to be made on all series of 2005 AD Bonds on such dates;

Step 3: Multiply the quotient determined pursuant to Step 2 by the Available Residual Fund Credit Amount.

Step 4: For each series of 2005 AD Bonds, the Residual Fund Annual Credit shall be an amount equal to the excess, if any, that the Residual Fund Annual Credit calculated in Step 3 exceeds the amount that would have been due on such series of 2005 AD Bonds if the interest rate on such 2005 AD Bonds for the applicable year had been 150 basis points higher than it actually was.

“Responsible Officer” means any officer, authorized signer or authorized representative of the Trustee assigned to administer the Trustee’s duties under the Indenture.

“Revenue Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture

“Revenues” means: (a) all amounts received from the Acquired Obligations; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder with respect to the Bonds (other than the Rebate Fund and the Residual Fund); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established hereunder with respect to the Bonds (other than investment income on moneys held in the Rebate Fund and the Residual Fund).

“Special Taxes” means the taxes authorized to be levied by the CFD on parcels within the CFD which have been pledged to repay the CFD Bonds pursuant to the CFD Act.

“Supplemental Indenture” means any indenture, agreement or other instrument hereafter duly executed by the Authority in accordance with the provisions of the Indenture.

“Surplus Fund” means the fund by that name established pursuant to the Indenture.

“Trust Office” means the office of the Trustee at which at any particular time its corporate trust business will be principally administered, which office at the date of the Indenture is located in San Francisco, California, or such other place as designated by the Trustee except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

“Trustee” means Wells Fargo Bank, National Association, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

“2005 AD Bonds” means the (i) City of Stockton Limited Obligation Refunding Bonds Blossom Ranch Assessment District No. 93-1 (Reassessment and Refunding of 2005); (ii) City of Stockton Limited Obligation Refunding Bonds Morada North Assessment District No. 2001-02 (Reassessment and Refunding of 2005); (iii) City of Stockton Limited Obligation Refunding Bonds Morada Ranch Assessment District No. 2000-01 (Reassessment and Refunding of 2005); and (iv) City of Stockton Limited Obligation Refunding Bonds Waterford Estates East Assessment District No. 2002-03 (Reassessment and Refunding of 2005).

Pledge of Revenues.

Subject to certain provisions of the Indenture relating to defeasance and amounts payable to the Trustee, the Bonds are secured by a first lien on and pledge of all of the Revenues. The Bonds will be equally secured by a pledge, charge and lien upon the Revenues without priority for any Bond over any other Bond; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any Bonds will be and are secured by an exclusive pledge, charge and lien upon the Revenues. So long as any of the Bonds are Outstanding, the Revenues will not be used for any purpose except as is expressly permitted by the Indenture.

Pursuant to the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds all of the Revenues and all of the right, title and interest of the Authority in the Acquired Obligations, subject to the terms of the Indenture. The Trustee will be entitled to and will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee also will be entitled to and will take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Acquired Obligations.

Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Bonds, and upon satisfaction of all claims against the Authority under the Indenture with respect to a Series, including all fees, charges and expenses of the Trustee and the Authority which are properly payable under the Indenture, or upon the making of adequate provisions for the payment of such amounts as permitted by the Indenture, all moneys remaining in all funds and accounts pertaining to such respective Series of Bonds (except any amounts on deposit in the Rebate Fund and the Surplus Fund and except moneys necessary to pay principal of, premium, if any, and interest on such series of Bonds, which moneys will be held by the Trustee pursuant to the defeasance provisions of the Indenture), will no longer be considered Revenues and are not pledged to repay the Bonds. Such amounts will be transferred to the fiscal agent for each issue of then outstanding Acquired Obligations proportionately based on their respective Proportionate Share. In the event that the Acquired Obligations have been paid or defeased, then any such amounts will be paid by the Trustee to the Authority to be used by the Authority for any lawful purpose.

Provisions Relating to Investments of Moneys in the Funds and Accounts.

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture will be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. The Trustee will be entitled to conclusively rely on any such Request of the Authority and will be fully protected in relying thereon. In the absence of any such Request of the Authority the Trustee will invest any such moneys in Permitted Investments described in clause (h) of the definition thereof; provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee will have received a Request of the Authority specifying a specific money market fund and, if no such Request of the Authority is so received, the Trustee will hold such moneys uninvested. The Trustee will be entitled to rely upon any investment directions from the Authority as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California and qualify as Permitted Investments. Permitted Investments purchased as an investment of moneys in any fund or

account established pursuant to the Indenture will be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture will be deposited in the fund or account from which such investment was made.

Certain Covenants of the Authority.

Punctual Payment. The Authority will punctually pay or cause to be paid the principal and interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture and except as otherwise permitted by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards in which complete and accurate entries will be made of transactions made by it relating to the proceeds of Bonds, the Revenues, the Acquired Obligations and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the City upon reasonable prior notice during regular business hours and under reasonable circumstances, in each case as agreed to by the Trustee.

Not later than 45 days following each Interest Payment Date, the Trustee will prepare and file with the Authority a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under the Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed to any Owner upon the Owner's written request to the Trustee at the expense of such Owner at a cost not to exceed the Trustee's actual costs of duplication and mailing.

Acquired Obligations. Subject to the provisions of the Indenture, the Authority and the Trustee will use reasonable efforts to collect all amounts due from the City pursuant to the

Acquired Obligations and will diligently enforce, and take all steps, actions and proceedings which the Authority and Trustee determine to be reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations and covenants of the City. The Authority will instruct the City to authenticate and deliver to the Trustee the Acquired Obligations registered in the name of the Trustee.

The Authority, the Trustee, and the City may at any time consent to, amend or modify any of the Acquired Obligations pursuant to the terms thereof, (a) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (b) without the consent of any of the Owners, if such amendment or modification is for any one or more of the following purposes

(a) to add to the covenants and agreements of the City contained in such Acquired Obligations, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Acquired Obligations, or in any other respect whatsoever as the City may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not materially adversely affect the interests of the Owners of the Bonds in the opinion of nationally- recognized bond counsel filed with the Trustee; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment will not, in and of itself, adversely affect the exclusion from gross income of the interest on any of the Bonds under the Code, in the opinion of Bond Counsel filed with the Trustee.

Sale of Acquired Obligations. Notwithstanding anything in the Indenture to the contrary, following prior written notice to Standard & Poor's, the Authority may cause the Trustee to sell, from time to time, all or a portion of an issue of Acquired Obligations, provided that the Authority will deliver to the Trustee:

(a) a certificate of an Independent Accountant certifying that, following the sale of such Acquired Obligations, the Revenues to be paid to the Authority (assuming the timely payment of amounts due thereon with respect to any Acquired Obligations not then in default), together with interest and principal due on any noncallable Federal Securities pledged to the repayment of the Bonds and the Revenues then on deposit in the funds and accounts established under the Indenture (valuing any Permitted Investments held under the Indenture at the then Fair Market Value thereof), will be sufficient to pay the principal of and interest on the Bonds when due;

(b) if any Bonds are then rated a notification from the rating agencies then rating such Bonds, to the effect that such rating will not be withdrawn or reduced as a result of such sale of Acquired Obligations; and

(c) an opinion of Bond Counsel that such sale of Acquired Obligations is authorized under the provisions of the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Upon compliance with the foregoing conditions by the Authority, the Trustee will sell such Acquired Obligations in accordance with the Request of the Authority and disburse the

proceeds of the sale of such Acquired Obligations to the Authority or upon the receipt of a Request of the Authority will deposit such proceeds in the Revenue Fund.

Continuing Disclosure. The Authority covenants and agrees that it will cause the City to comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Tax Covenants.

Private Activity Bond Limitation. The Authority will assure that the proceeds of the Bonds are not used so as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

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

No Arbitrage. The Authority will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Rebate of Excess Investment Earnings to United States. The Authority will calculate or cause to be calculated excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America pursuant to Section 148(f) of the Code, and will pay the full amount of such excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required pursuant to the Code. Such payments will be made by the Authority from any source of legally available funds of the Authority, including amounts deposited into the Rebate Fund, if any. The Authority will keep or cause to be kept, and retain or cause to be retained for a period of six (6) years following the final payment of the Bonds, records of the determinations made pursuant to this covenant. In order to provide for the administration of this covenant, the Authority may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Authority may deem appropriate.

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

Certain Provisions Relating to the Trustee.

Qualifications of Trustee. The Authority agrees that it will maintain a Trustee which is a trust company, national banking association or bank of good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers, with a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority, so long as any Bonds are Outstanding.

Acceptance of Trusts. The Trustee's acceptance of the trusts imposed by the Indenture are subject to the following terms and conditions, among others:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture and shall use the same degree of care and skill and diligence in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may consult with and act upon the advice of counsel (which may be counsel to the Authority) concerning all matters of trust and its duty under the Indenture and will be wholly protected in reliance upon the advice or opinion of such counsel in respect of any action taken or omitted by it in good faith and in accordance with the Indenture.

(c) The Trustee will be protected and will incur no liability in acting, or refraining from acting in good faith and without negligence, in reliance upon any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail, or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, will be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee will not be bound to recognize any person as an Owner of any Bond or to take any action at such person's request unless the ownership of such Bond by such person will be reflected on the Bond Register.

(d) The Trustee will not be required to take notice or be deemed to have notice of any Event of Default under the Indenture except where a Responsible Officer has actual knowledge of such Event of Default and except for the failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant to the Indenture, including payments on the Acquired Obligations, or failure by the Authority to file with the Trustee any document required by the Indenture to be so filed subsequent to the issuance of the Bonds, unless a Responsible Officer will be specifically notified in writing of such default by the Authority or by the Owners of at least twenty five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered to a Responsible Officer at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the Indenture except as aforesaid. Delivery of a notice to the officer and address for the Trustee set forth in Section 10.12 of the Indenture, as updated by the Trustee from time to time, will be deemed notice to a Responsible Officer.

(e) Before taking certain action referred to in the Indenture, the Trustee may require that an indemnity bond satisfactory to it be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(f) The Trustee will not be considered in breach of or in default in its obligations under the Indenture 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 or 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 Trustee.

Fees, Charges and Expenses of Trustee. Upon the occurrence of an Event of Default under the Indenture, but only upon an Event of Default, the Trustee will have a first lien with right of payment prior to payment of any Bond upon the amounts held in the Funds and accounts under the Indenture for the foregoing fees, charges and expenses incurred by it respectively. The Trustee’s right to payment of its fees and expenses will survive the discharge and payment or defeasance of the Bonds and termination of the Indenture, and the resignation or removal of the Trustee.

Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to provisions of the Indenture relating to indemnification, will do so if requested in writing by the Owners of at least 25% in aggregate principal amount of such Bonds then Outstanding.

Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may and the Authority may, so long as no Event of Default then exists, upon 30 days’ prior written notice to the Trustee, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee. Upon any such removal, the Authority will appoint a successor or successors thereto; provided that any such successor will be a bank or trust company meeting the requirements set forth in the Indenture. Notwithstanding any other provision of the Indenture, no removal of the Trustee will be effective until a successor is appointed.

Resignation by Trustee. The Trustee and any successor Trustee may at any time provide a 30 day written notice of its intention to resign as Trustee under the Indenture, such notice to be given to the Authority and the City by registered or certified mail. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority will cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Bond Register.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee, the Authority will promptly appoint a successor Trustee. In the event the Authority will for any reason whatsoever fail to appoint a successor Trustee within 30 days, the Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee. Any such successor Trustee appointed by such court will become the successor Trustee under the Indenture notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such thirty day period.

Amendment of the Indenture.

With Bondowner Consent. The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may, with prior written notice to Standard & Poor's, be modified or amended at any time by a Supplemental Indenture which will become binding when the prior written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without written consent of the Trustee, modify any of the rights or obligations of the Trustee.

Without Bondowner Consent. The Indenture and the rights and obligations of the Authority and of the Owners of either Series of the Bonds may, with prior written notice to Standard & Poor's, also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes

- (a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Authority so long as such addition, limitation or surrender of such rights or powers will not materially adversely affect the Owners of the Bonds; or
- (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not materially adversely affect the interests of the Owners of the Bonds; or
- (c) to amend any provision of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or
- (d) to amend any provision of the Indenture to place any Additional Bonds on a parity with the Bonds for all purposes of the Indenture, including, but not limited to, for the purpose of exercising all rights and remedies under the Indenture; or
- (e) to amend the provisions of the Indenture relating to the Surplus Fund.

Amendment by Mutual Consent. Any Bond Owner may accept any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Events of Default and Remedial Action.

Events of Default. The following events will be Events of Default under the Indenture.

- (a) Default in the due and punctual payment of the principal of any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default will have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Trustee's fees and expenses, which must be cured within such 60 day period unless waived by the Trustee) will not constitute a Event of Default under the Indenture if the Authority will commence to cure such default within said 60-day period and thereafter diligently and in good faith will cure such default within a reasonable period of time; or

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies; Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. In the event of a Event of Default arising out of a nonpayment of Trustee's fees and expenses, the Trustee may sue the Authority to seek recovery of its fees and expenses; provided, however, that such recovery may be made only from Revenues.

If a Event of Default will have occurred and be continuing and if requested to do so by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds, and, in each case, if indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture and, as applicable, under the Acquired Obligations, as the Trustee, being advised by counsel, will deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Event of Default. All amounts received by the Trustee with respect to the Bonds pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds will be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid –

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts will be insufficient to pay in full the full amount of such interest and principal, then such amounts will be applied in the following order of priority:

- (a) first, to the payment of all installments of interest on the Bonds then due and unpaid,
- (b) second, to the payment of all installments of principal of the Bonds then due and unpaid, and
- (c) third, to the payment of interest on overdue installments of principal and interest on Bonds.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of a Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it may, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues a Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation and provided further that the Trustee will have the right to decline to comply with such written request unless indemnification satisfactory to it has been provided. Any suit, action or proceeding which any Owner of Bonds will have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is appointed in the Indenture (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

Appointment of Receivers. Upon the occurrence of a Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment will confer.

Rights and Remedies of Bond Owners. No Owner of any Bond issued under the Indenture will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner will have previously given to the Trustee written notice of the occurrence of a Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of 60 days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared in the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as in the Indenture provided or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Limited Liability of Authority.

Notwithstanding anything in the Indenture contained, the Authority will not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants in the Indenture contained (except to the extent any such covenants are expressly payable under the Indenture from the Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds will be revenue bonds, payable exclusively from the Revenues and other funds as in the Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds will never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds and any premiums upon the redemption of any thereof, will not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in the Indenture provided.

Discharge of Indenture.

If the Authority pays and discharges any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and available for such purpose, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant will determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and available for such purpose, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

then any such Outstanding Bond or Bonds will be deemed to have been paid and discharged; provided, however, that any such Outstanding Bond or Bonds will be deemed to have been paid and discharged under paragraph (c) above only if (i) in the case of Bonds to be redeemed prior to the maturity thereof, notice of such redemption will have been mailed pursuant to the Indenture or provision satisfactory to the Trustee will have been made for the mailing of such notice, (ii) a verification report of an Independent Accountant will be delivered to the Trustee, and (iii) an opinion of Bond Counsel will be delivered to the Trustee in the case of a defeasance of Bonds, to the effect that the requirements of the Indenture have been satisfied with respect to such discharge of Bonds. Upon a discharge of one or more Bonds as described above, and notwithstanding that any of such Bonds will not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to such Bonds, as applicable, will cease and terminate, except only the obligation of the Authority to comply with the tax covenants and the indemnification provisions set forth in the Indenture, to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose, to pay all expenses and costs of the Trustee and to comply with the tax covenants set forth in the Indenture. Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the Authority or upon a Request of the Authority to the City.

Defeasance will be accomplished only with an irrevocable deposit in escrow of certain investments referred to in the Indenture. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as schedule on the Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

FISCAL AGENT AGREEMENT RELATING TO THE CFD BONDS

The following is a summary of certain provisions of the CFD Bonds Fiscal Agent Agreements relating to the CFD Bonds not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the full text of the CFD Bonds Fiscal Agent Agreements for the complete terms thereof.

Certain Definitions: Unless otherwise indicated, capitalized terms used below but not defined below have the same meaning given those terms in Indenture of Trust relating to the Authority Bonds.

“Administrative Expenses” means any or all of the following:

(a) the expenses directly related to the administration of the CFD, including, but not limited to, the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City or otherwise); the costs of remitting the Special Taxes to the CFD Fiscal Agent; the costs associated with preparing Special Tax disclosure statements and responding to the public inquiries regarding the Special Taxes; the costs of the City, the CFD or any designee thereof related to an appeal of the Special Tax;

(b) the costs of the CFD Fiscal Agent (including its legal counsel) in the discharge of the duties of the CFD Fiscal Agent pertaining to the CFD Bonds required under the CFD Bonds Fiscal Agent Agreement and any Supplemental CFD Agreement;

(c) the costs of the City or any designee thereof of complying with the City, the CFD, the Authority or obligated person disclosure requirements associated with applicable federal or state securities laws of the Act pertaining to the bonds;

(d) the Authority Administrative Expenses;

(e) any amounts required to be rebated to the federal government; and

(f) all other costs and expenses of the City (including, but not limited to, an allocable share of the salaries of the City staff directly related to the foregoing, a proportionate amount of City general administrative overhead related to the foregoing, and 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, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure) and the CFD Fiscal Agent incurred in connection with the discharge of their respective duties under the CFD Bonds Fiscal Agent Agreement and in any way related to the administration of the CFD and all actual costs and expenses incurred in connection with the administration of the CFD Bonds.

“Annual Debt Service” means the principal amount of any Outstanding CFD Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding CFD Bonds in such Bond Year, if the CFD Bonds are retired as scheduled.

“Authorized Representative” means the City Manager, Chief Financial Officer, the Clerk, the City Attorney, including any deputy, acting or interim officer holding such position, or any other officer or employee authorized by the City Council of the City or by an Authorized Representative to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Representative.

“Bond Register” means the books which the CFD Fiscal Agent will keep or cause to be kept on which the registration and transfer of the CFD Bonds will be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any CFD Bond is registered.

“Bond Year” means the twelve month period commencing on September 3 of each year and ending on September 2 of the following year, except that the first Bond Year for the CFD Bonds will begin on the Delivery Date and end on the first September 2 which is not more than 12 months after the Delivery Date.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the City.

“Gross Taxes” means the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof, 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. “Gross Taxes” does not include any penalties collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the CFD Bonds.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the City, who, or each of whom:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have any substantial interest, direct or indirect, in the City; and
- (3) is not connected with the City as a member, officer or employee of the City, but who may be regularly retained to make annual or other reports to the City.

“Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses.

“Ordinance” means any ordinance of the City levying the Special Taxes.

“Outstanding” or “Outstanding CFD Bonds” means all CFD Bonds theretofore issued by the City, except:

- (1) CFD Bonds theretofore cancelled or surrendered for cancellation in accordance with the CFD Bonds Fiscal Agent Agreement;
- (2) CFD Bonds for payment or redemption of which monies will have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such CFD Bonds), provided that, if such CFD Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the CFD Bonds Fiscal Agent Agreement; and

(3) CFD Bonds which have been surrendered to the CFD Fiscal Agent for transfer or exchange pursuant to the CFD Bonds Fiscal Agent Agreement or for which a replacement has been issued pursuant to the CFD Bonds Fiscal Agent Agreement.

“Prepayments” means any amounts paid by the City to the CFD Bonds Fiscal Agent And designated by the City as a prepayment of Special Taxes for one or more parcels in the CFD made in accordance with the Rate and Method of Apportionment of Special Taxes attached to the Resolution of Formation.

“Special Taxes” means the taxes authorized to be levied by the City on property within the CFD in accordance with the Ordinance, the Resolution of Formation, the CFD Act and the voter approval obtained at an election in the CFD.

Security for the CFD Bonds.

Pursuant to the CFD Act and the CFD Bonds Fiscal Agent Agreement, the CFD Bonds will be equally payable from the Net Taxes and other amounts in the Special Tax Fund, without priority for number, date of the CFD Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the CFD Bonds and premiums upon the redemption thereof, will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund, which are set aside by the CFD Bonds Fiscal Agent Agreement for the payment of the CFD Bonds.

Amounts in the Special Tax Fund will constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the CFD Bonds and so long as any of the CFD Bonds or interest thereon remain Outstanding will not be used for any other purpose, except as permitted by the CFD Bonds Fiscal Agent Agreement or any Supplemental CFD Agreement. Notwithstanding any provision contained in the CFD Bonds Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Surplus Fund will no longer be considered to be pledged to the CFD Bonds, and the Surplus Fund will not be construed as a trust fund held for the benefit of the Owners.

Nothing in the CFD Bonds Fiscal Agent Agreement or any Supplemental CFD Agreement will preclude the redemption prior to maturity of any CFD Bonds subject to call and redemption and payment of said CFD Bonds from proceeds of refunding bonds issued under the CFD Act as the same now exists or as hereafter amended, or under any other law of the State of California.

Deposits and Uses of Special Taxes.

Special Tax Fund. Except for the portion of any Prepayment to be deposited to the Redemption Account, the CFD Fiscal Agent will, on each date on which the Special Taxes are received from the City, deposit the Special Taxes in the Special Tax Fund to be held for the Owners. The CFD Fiscal Agent will transfer the Special Taxes on deposit in the Special Tax Fund in the following order of priority, to:

- (1) The Interest Account of the Special Tax Fund;
- (2) The Principal Account of the Special Tax Fund;
- (3) The Redemption Account of the Special Tax Fund; and
- (4) The Surplus Fund.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the CFD Bonds until maturity, other than principal due upon redemption, will be paid by the CFD Fiscal Agent from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the CFD Bonds will be made when due, after making the transfer to the Administrative Expense Account, at least one Business Day prior to each March 2 and September 2, the CFD Fiscal Agent will transfer from the Special Tax Fund, first to the Interest Account and then to the Principal Account, the amount required to pay interest on and principal of the CFD Bonds on the immediately succeeding March 2 or September 2; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the CFD Bonds, or otherwise, the transfer from the Special Tax Fund need not be made.

Redemption Account of the Special Tax Fund. With respect to each September 2 on which a Sinking Fund Payment is due, the Interest Account and the Principal Account of the Special Tax Fund, the CFD Fiscal Agent will next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account five Business Days prior to each September 2 equal to the Sinking Fund Payment due on any Outstanding CFD Bonds on such September 2. Moneys so deposited in the Redemption Account will be used and applied by the CFD Fiscal Agent to call and redeem Term CFD Bonds in accordance with the Sinking Fund Payment schedule set forth in the CFD Bonds Fiscal Agent Agreement.

Prepayments of Special Taxes deposited to the Redemption Account shall be applied on the redemption date established pursuant to the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the CFD Bonds to be redeemed with such Prepayments.

Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds however, so long as the Authority is the sole Owner of the Bonds the redemption price shall be paid without presentation and surrender thereof and shall only be presented upon maturity and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments, may be used to purchase Outstanding CFD Bonds in the manner hereinafter provided. Purchases of Outstanding CFD Bonds may be made by the City at public or private sale as and when and at such prices as the City may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.1(a) hereof. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Surplus Fund. After making the transfers described above, as soon as practicable after each September 2, and in any event prior to each October 1, the CFD Fiscal Agent will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative of the City directing that certain amounts be retained in the Special Tax Fund because the City has assumed such amounts would be available in the Special Tax Fund in calculating the amount of the levy of

Special Taxes for such Fiscal Year. The amounts in the Surplus Fund are not pledged to the repayment of the CFD Bonds and may be used by the City for any lawful purpose.

Investments.

Moneys held in any of the Funds, Accounts and Subaccounts under the CFD Bonds Fiscal Agent Agreement will be invested at the written direction of the City in accordance with the limitations set forth below only in Authorized Investments which will be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments will be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on amounts deposited in the Special Tax Fund and the Surplus Fund, and each Account therein, will be deposited in those respective Funds and Accounts.

Moneys in the Funds, Accounts and Subaccounts held under the CFD Bonds Fiscal Agent Agreement may be invested by the CFD Bonds Fiscal Agent As directed in writing by the City, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund will be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the CFD Bonds as the same become due.

(b) In the absence of written investment directions from the City, the CFD Fiscal Agent will invest solely in Authorized Investments specified in clause (h) of the definition thereof; provided, however, that any such investment will be made by the CFD Fiscal Agent only if, prior to the date on which such investment is to be made, the CFD Fiscal Agent will have received written investment directions from the City specifying a specific money market fund and, if no such written investment directions from the City is so received, the CFD Fiscal Agent will hold such moneys uninvested. The CFD Fiscal Agent will be entitled to rely upon any investment directions from the Authority as conclusive certification to the CFD Fiscal Agent that the investments described therein are so authorized under the laws of the State of California and qualify as Authorized Investments.

The CFD Fiscal Agent will sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts will be valued at their cost. In making any valuations under the CFD Bonds Fiscal Agent Agreement, the CFD Fiscal Agent may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything in the CFD Bonds Fiscal Agent Agreement to the contrary, the CFD Fiscal Agent will not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the CFD Bonds Fiscal Agent Agreement.

Redemption of CFD Bonds.

Optional Redemption. The CFD Bonds may be redeemed, at the option of the City, from any source of funds on any Interest Payment Date on or after September 2, 20__, in whole, or in part and by lot, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption, together with a premium that is sufficient, based on the certificate of an Independent Financial Consultant, to redeem the corresponding portion of the Authority Bonds.

Mandatory Sinking Fund Redemption. The CFD Bonds maturing September 2, 20__ are subject to mandatory sinking payment redemption in part on September 2, 20__, and on each September 2 thereafter to maturity, by lot, at a redemption price equal to 100% of their principal amount to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Term Bonds of 20__	
Mandatory Redemption Date (September 2)	Sinking Fund Payment

Extraordinary Redemption. The CFD Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and will be redeemed by the CFD Fiscal Agent, from Prepayments deposited to the Redemption Account, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption, together with a premium that is sufficient, based on the certificate of an Independent Financial Consultant, to redeem the corresponding portion of the Authority Bonds.

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

Notice of Redemption. When CFD Bonds are due for redemption, the CFD Fiscal Agent will give notice, in the name of the City, of the redemption of such CFD Bonds. The City may instruct the CFD Fiscal Agent to specify in the redemption notice that such redemption may be subject to receipt of funds sufficient to accomplish the redemption. Such notice of redemption will (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the CFD Bonds selected for redemption, except that where all of the CFD Bonds are subject to redemption, or all the CFD Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the CFD Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the CFD Bonds are to be redeemed; (e) in the case of CFD Bonds to be redeemed only in part, state the portion of such CFD Bond which is to be redeemed; (f) state the date of issue of the

CFD Bonds as originally issued; (g) state the rate of interest borne by each CFD Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the CFD Bonds being redeemed as will be specified by the CFD Fiscal Agent. Such notice will further state that on the date fixed for redemption, there will become due and payable on each CFD Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable.

At least 30 days but no more than 45 days prior to the redemption date, the CFD Fiscal Agent will mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any CFD Bond of notice of such redemption will not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice will affect the validity of the proceedings for the redemption of such CFD Bonds, or the cessation of interest on the redemption date. A certificate by the CFD Fiscal Agent that notice of such redemption has been given as in the CFD Bonds Fiscal Agent Agreement provided will be conclusive as against all parties and the Owner will not be entitled to show that he or she failed to receive notice of such redemption.

Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the City of moneys sufficient to cause such redemption, and neither the City nor the CFD Fiscal Agent will have any liability to the Owners or any other party as a result of its failure to redeem the CFD Bonds as a result of insufficient moneys.

In addition to the foregoing notice, further notice will be given by the CFD Bonds Fiscal Agent As set out below, but only if the CFD Bonds are not owned by the Authority at the time the notice of redemption is given, provided that no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

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

Certification of Independent Financial Consultant. The City will not be authorized to redeem bonds pursuant to the Optional Redemption or Special Redemption provisions of the CFD Bonds Fiscal Agent Agreement unless it has provided the CFD Fiscal Agent with a certificate of an Independent Financial Consultant to the effect that the proposed redemption, assuming a corresponding redemption of the Bonds, and assuming continuing payment of Special Taxes by property owners not then in default, will not adversely impact the availability of Revenues (as defined in the Authority Indenture) in an amount sufficient to pay debt service on the Bonds, as scheduled. In the event the Independent Financial Consultant is unable to provide such certificate, the redemption premium will be the amount that will be sufficient to enable the Independent Financial Consultant to deliver the required certificate.

Certain Covenants of the City.

In addition to the covenants summarized in this Official Statement, the City has covenanted in the CFD Bonds Fiscal Agent Agreement as follows:

Tax Covenants.

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

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

Rebate Requirement. The City will take any and all actions necessary to assure compliance with section 148(f) of the 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 Authority Bonds.

No Arbitrage. The City will not take, or permit or suffer to be taken by the CFD Fiscal Agent or otherwise, any action with respect to the proceeds of the CFD 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 CFD Bonds would have caused the Authority Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

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

Continuing Disclosure. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the CFD Bonds Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, the Original Purchaser of the Bonds and any holder or beneficial owner of the CFD Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Supplemental CFD Agreements or Orders Not Requiring Bondowner Consent.

The City may from time to time, and at any time, without notice to or consent of any of the owners of the CFD Bonds, adopt Supplemental CFD Agreements for any of the following purposes:

- (a) to cure any ambiguity, to correct or supplement any provisions in the CFD Bonds Fiscal Agent Agreement which may be inconsistent with any other provision in the CFD Bonds Fiscal Agent Agreement, or to make any other provision with respect to matters or questions arising under the CFD Bonds Fiscal Agent Agreement or in any additional resolution or order, provided that such action is not materially adverse to the interests of the owners of the CFD Bonds;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the City contained in the CFD Bonds Fiscal Agent Agreement, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the CFD Bonds Fiscal Agent Agreement as theretofore in effect or which further secure CFD Bond payments;

(c) to modify, amend or supplement the CFD Bonds Fiscal Agent Agreement in such manner as to permit the qualification of the CFD Bonds Fiscal Agent Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the CFD Bonds then Outstanding; or

(d) to modify, alter or amend the rate and method of apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the CFD to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year with respect to the CFD Bonds Outstanding as of the date of such amendment; or

(e) to modify, alter, amend or supplement the CFD Bonds Fiscal Agent Agreement in any other respect which is not materially adverse to the owners of the CFD Bonds as determined by an opinion of Bond Counsel; or

(f) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

Supplemental CFD Agreements or Orders Requiring Bondowner Consent.

Exclusive of the Supplemental CFD Agreements described in above, the Owners of not less than a majority in aggregate principal amount of the CFD Bonds Outstanding will have the right to consent to and approve the adoption by the City of such Supplemental CFD Agreements as will be deemed necessary or desirable by the City for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the CFD Bonds Fiscal Agent Agreement; provided, however, that nothing in the CFD Bonds Fiscal Agent Agreement will permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any CFD Bond, (b) a reduction in the principal amount of, or redemption premium on, any CFD Bond or the rate of interest thereon, (c) a preference or priority of any CFD Bond over any other CFD Bond, or (d) a reduction in the aggregate principal amount of the CFD Bonds the Owners of which are required to consent to such Supplemental CFD Agreement, without the consent of the Owners of all CFD Bonds then Outstanding.

If at any time the City desires to adopt a Supplemental CFD Agreement, which will require the consent of the owners of the CFD Bonds, the City will so notify the CFD Bonds Fiscal Agent And will deliver to the CFD Bonds Fiscal Agent A copy of the proposed Supplemental CFD Agreement. The CFD Fiscal Agent will, at the expense of the City, cause notice of the proposed Supplemental CFD Agreement to be mailed, by first class mail, postage prepaid, to all owners of the CFD Bonds at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental CFD Agreement and will state that a copy thereof is on file at the office of the CFD Fiscal Agent for inspection by all owners of the CFD Bonds. The failure of any owners of the CFD Bonds to receive such notice will not affect the validity of such Supplemental CFD Agreement when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the CFD

Bonds Outstanding. Whenever at any time within one year after the date of the first mailing of such notice, the CFD Fiscal Agent will receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the CFD Bonds Outstanding, which instrument or instruments will refer to the proposed Supplemental CFD Agreement described in such notice, and will specifically consent to and approve the adoption thereof by the City substantially in the form of the copy referred to in such notice as on file with the CFD Fiscal Agent, such proposed Supplemental CFD Agreement, when duly adopted by the City, will thereafter become a part of the proceedings for the issuance of the CFD Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the CFD Bonds have consented to the adoption of any Supplemental CFD Agreement, CFD Bonds which are owned by the City or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the City, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental CFD Agreement and the receipt of consent to any such Supplemental CFD Agreement from the Owners of not less than a majority in aggregate principal amount of the Outstanding CFD Bonds in instances where such consent is required pursuant to the CFD Bonds Fiscal Agent Agreement, the CFD Bonds Fiscal Agent Agreement will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the CFD Bonds Fiscal Agent Agreement of the City and all Owners of Outstanding CFD Bonds will thereafter be determined, exercised and enforced under the CFD Bonds Fiscal Agent Agreement, subject in all respects to such modifications and amendments. The Fiscal Agent is not obligated to enter into any Supplemental Agreement that adversely impacts its rights.

Certain Provisions Relating to the CFD Fiscal Agent for the CFD Bonds.

Removal of CFD Fiscal Agent. The City may at any time at its sole discretion remove the CFD Fiscal Agent initially appointed, and any successor thereto, by delivering to the CFD Bonds Fiscal Agent A written notice of its decision to remove the CFD Bonds Fiscal Agent And may appoint a successor or successors thereto; provided that any such successor will be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor CFD Fiscal Agent. If any bank, national banking association or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the CFD Bonds Fiscal Agent And appointment of a successor CFD Fiscal Agent will become effective only upon acceptance of appointment by the successor CFD Bonds Fiscal Agent And notice being sent by the successor CFD Fiscal Agent to the owners of the CFD Bonds of the successor CFD Fiscal Agent's identity and address.

Resignation of CFD Fiscal Agent. The CFD Fiscal Agent may at any time resign by giving at least 45 days written notice to the City and by giving to the Owners notice of such resignation, which notice will be mailed to the Owners at their addresses appearing in the registration books in the office of the CFD Fiscal Agent. Upon receiving such notice of resignation, the City will promptly appoint a successor CFD Fiscal Agent satisfying the criteria in the CFD Bonds Fiscal Agent Agreement by an instrument in writing. Any resignation or removal of the CFD Bonds Fiscal Agent And appointment of a successor CFD Fiscal Agent will become effective only upon acceptance of appointment by the successor CFD Fiscal Agent.

Liability of CFD Fiscal Agent. The CFD Fiscal Agent will have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the CFD Bonds Fiscal Agent Agreement, or as to the correctness of any amounts received, but its liability will be limited to the proper accounting for such funds as it will actually receive. No provision in the CFD Bonds Fiscal Agent Agreement will require the CFD 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 CFD Bonds Fiscal Agent Agreement, or in the exercise of its rights or powers.

Defeasance.

If the City will pay or cause to be paid, or there will otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the CFD Bonds Fiscal Agent Agreement or any Supplemental CFD Agreement, then the Owner of such CFD Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the City to the Owner of such CFD Bond under the CFD Bonds Fiscal Agent Agreement will thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding CFD Bonds, the CFD Fiscal Agent will execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the CFD Fiscal Agent will pay over or deliver to the City's general fund all money or securities held by it pursuant to the CFD Bonds Fiscal Agent Agreement which are not required for the payment of the principal of, premium, if any, and interest due on such CFD Bonds.

Any Outstanding CFD Bond will be deemed to have been paid within the meaning expressed in the preceding paragraph if such CFD Bond is paid in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of, premium, if any, and interest on such CFD Bond, as and when the same become due and payable;
- (b) by depositing with the CFD Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such CFD Bond, as and when the same will become due and payable; or
- (c) by depositing with the CFD Fiscal Agent or another escrow bank appointed by the City, in trust, Federal Securities, in which the City may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such CFD Bond, as and when the same will become due and payable;

then, at the election of the City, and notwithstanding that any Outstanding CFD Bonds will not have been surrendered for payment, all obligations of the City under the CFD Bonds Fiscal Agent Agreement and any Supplemental CFD Agreement with respect to such CFD Bond will cease and terminate, except for the obligation of the CFD Fiscal Agent to pay or cause to be paid to the Owners of any such CFD Bond not so surrendered and paid, all sums due thereon. Notice of such election will be filed with the CFD Fiscal Agent not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the CFD Fiscal Agent. In connection with a defeasance under (b) or (c) above, there will be provided to the City and CFD Bonds Fiscal Agent a verification report from an independent nationally

recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the CFD Fiscal Agent or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding CFD Bonds to be defeased, as and when the same will become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the CFD Bonds being defeased have been legally defeased in accordance with the CFD Bonds Fiscal Agent Agreement and any applicable Supplemental CFD Agreement.

Upon a defeasance, the CFD Fiscal Agent, upon request of the City, will release the rights of the Owners of such CFD Bonds which have been defeased under the CFD Bonds Fiscal Agent Agreement and any Supplemental CFD Agreement and execute and deliver to the City all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the CFD Bonds Fiscal Agent Agreement of all Outstanding CFD Bonds, the CFD Fiscal Agent will pay over or deliver to the City any funds held by the CFD Bonds Fiscal Agent At the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the CFD Bonds when due. The CFD Fiscal Agent will, at the written direction of the City, mail, first class, postage prepaid, a notice to the owners whose CFD Bonds have been defeased, in the form directed by the City, stating that the defeasance has occurred.

Defeasance will be accomplished only with an irrevocable deposit in escrow of certain investments referred to in the CFD Bonds Fiscal Agent Agreement. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as schedule on the CFD Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

FISCAL AGENT AGREEMENT RELATING TO THE REASSESSMENT BONDS

The following is a summary of certain provisions of the Reassessment Fiscal Agent Agreements relating to the Reassessment Bonds not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the full text of the Reassessment Fiscal Agent Agreements for the complete terms thereof.

Certain Definitions.

Unless otherwise indicated, capitalized terms used below but not defined below have the same meaning given those terms in Indenture of Trust relating to the Authority Bonds.

“Assessment Bond Law” means the Improvement Bond Act of 1915, as amended, Division 10 of the California Streets and Highways Code.

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

“Authorized Representative” means the City Manager, Chief Financial Officer, the Clerk, the City Attorney, including any deputy, acting or interim officer holding such position, or any other officer or employee authorized by the City Council of the City or by an Authorized Representative to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Representative.

“Bond Register” means the books maintained by the Fiscal Agent pursuant to Reassessment Fiscal Agent Agreement for the registration and transfer of ownership of the Reassessment Bonds.

“Bond Year” means the twelve-month period beginning on September 3 in each year and ending on September 2 in the following year except that (i) the first Bond Year will begin on the Closing Date and end on the next September 2, and (ii) the last Bond Year may end on a prior redemption date.

“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 Reassessment Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

“Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Reassessment Bonds in such Reassessment Bond Year, assuming that the Outstanding Reassessment Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Reassessment Bonds due in such Reassessment Bond Year.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Reassessment Fiscal Agent:

- (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as stripped obligations and coupons; or

(ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the City, who, or each of whom:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have any substantial interest, direct or indirect, in the City; and
- (3) is not connected with the City as a member, officer or employee of the City, but who may be regularly retained to make annual or other reports to the City.

“List of Unpaid Reassessments” means the list on file with the Chief Financial Officer showing the amounts of the Reassessments upon each of the parcels in the District.

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

“Outstanding” when used as of any particular time with reference to the Reassessment Bonds, means, subject to the provisions of the Reassessment Fiscal Agent Agreement, all Reassessment Bonds except:

- (i) Reassessment Bonds theretofore canceled by the Reassessment Fiscal Agent or surrendered to the Reassessment Fiscal Agent for cancellation;
- (ii) Reassessment Bonds paid or deemed to have been paid within the meaning of the Reassessment Fiscal Agent Agreement;
- (iii) Reassessment Bonds in lieu of or in substitution for which other Reassessment Bonds will have been authorized, executed, issued and delivered by the City pursuant to the Reassessment Fiscal Agent Agreement or any Supplemental Agreement.

“Owner” or “Reassessment Bond Owner” means the registered owner of any Outstanding Reassessment Bond as shown on the Bond Register of the Reassessment Fiscal Agent under the Reassessment Fiscal Agent Agreement.

“Rating Agency” means, individually, either (a) Moody’s Investors Service, Inc., its successors and assigns, or (b) Standard & Poor’s Corporation, its successors and assigns.

“Record Date” means the fifteenth day of the calendar month immediately preceding the applicable Interest Payment Date.

“Redemption Fund” means the fund designated as such, established and administered under the Reassessment Fiscal Agent Agreement.

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

“Treasurer” means the City Treasurer, or designee thereof.

Redemption of Reassessment Bonds.

Optional Redemption. Each Outstanding Reassessment Bond, or any portion of the principal thereof, in the principal amount of \$5,000 or any integral multiple thereof, may be redeemed, at the option of the City, from any source of funds on any Interest Payment Date on or after September 2, 20__, in whole, or in part and by lot, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption, unless sooner surrendered, in which event said interest will be paid to the date of payment, all in the manner and as provided in the Reassessment Bond Law, together with a premium that is sufficient, based on the certificate of an Independent Financial Consultant, to redeem the corresponding portion of the Authority Bonds.

Mandatory Sinking Fund Redemption. The Reassessment Bonds maturing September 2, 20__ are subject to mandatory sinking payment redemption in part on September 2, 20__, and on each September 2 thereafter to maturity, by lot, at a redemption price equal to 100% of their principal amount to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Term Bonds of 20__	
Mandatory Redemption Date (September 2)	Sinking Fund Payment

Redemption Following Prepayment of Reassessments. The Reassessment Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption, together with a premium that is sufficient, based on the certificate of an Independent Financial Consultant, to redeem the corresponding portion of the Reassessment Bonds.

The Chief Financial Officer will notify the Reassessment Fiscal Agent of Reassessment Bonds to be called for redemption upon prepayment of Reassessments in amounts sufficient therefor, or whenever sufficient surplus funds are available therefor in the Redemption Fund. Within each annual series, the Reassessment Fiscal Agent will select Reassessment Bonds for retirement by lot.

The provisions of Part 11.1 of the Assessment Bond Law are applicable to the advance payment of Reassessments and to the calling of the Reassessment Bonds. The Treasurer will advise the Reassessment Fiscal Agent of such provisions to the extent not specified in the Reassessment 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 Reassessment Bonds so called for redemption will have been deposited in the Redemption Fund on the date fixed for redemption, such Reassessment Bonds so called will cease to be entitled to any benefit under the Reassessment 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.

Certification of Independent Financial Consultant. The City will not be authorized to redeem bonds as described above under "Optional Redemption" or "Redemption Following Prepayment of Assessments" unless it has provided the Fiscal Agent with a certificate of an Independent Financial Consultant to the effect that the proposed redemption, assuming a corresponding redemption of the Bonds, and assuming continuing payment of Reassessments by the other property owners and scheduled payment of debt service on the CFD Bonds (as defined in the Indenture), will not adversely impact the availability of Revenues (as defined in the Indenture) in an amount sufficient to pay debt service on the Bonds, as scheduled. In the event the Independent Financial Consultant is unable to provide such certificate, the redemption premium will be the amount that will be sufficient to enable the Independent Financial Consultant to deliver the required certificate.

Security for the Reassessment Bonds.

Pledge. The Reassessment Bonds will be secured by a first pledge (which pledge will be effected in the manner and to the extent provided in the Reassessment Fiscal Agent Agreement) of all of the Reassessments and all moneys deposited in the Redemption Fund. The Reassessments and all moneys deposited into said funds (except as otherwise provided in the Reassessment Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Reassessment Bonds as provided in the Reassessment Fiscal Agent Agreement and in the Assessment Bond Law until all of the Reassessment Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the defeasance provisions of the Reassessment Fiscal Agent Agreement.

Limited Obligation. All obligations of the City under the Reassessment Fiscal Agent Agreement and the Reassessment Bonds are not general obligations of the City, but are limited obligations, payable solely from the Reassessments and the funds pledged therefore under the Reassessment Fiscal Agent Agreement. Neither the faith and credit of the City nor of the State of California or any political subdivision thereof is pledged to the payment of the Reassessment Bonds. The Reassessment Bonds are "Limited Obligation Refunding Improvement Bonds" and are payable solely from and secured solely by the Reassessments and the amounts in the Redemption Fund and the Reserve Fund created under the Reassessment Fiscal Agent Agreement. Notwithstanding any other provision of the Reassessment Fiscal Agent Agreement, the City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in the Redemption Fund.

No Acceleration. The principal of the Reassessment Bonds will not be subject to acceleration under the Reassessment Fiscal Agent Agreement, but the Reassessment Bonds are subject to optional redemption and defeasance prior to maturity.

Deposits and Uses of Reassessments.

Redemption Fund.

Uses. Moneys in the Redemption Fund will be held by the Reassessment Fiscal Agent for the benefit of the City and the Owners of the Reassessment Bonds, and will be disbursed for the payment of the principal of, and interest and any premium on, the Reassessment Bonds as provided below. Within the Redemption Fund there is a Prepayment Account, which will be used exclusively for the administration of any prepayments of Reassessments pursuant to Section 8767 of the Reassessment Bond Law to assure the timely redemption of the Reassessment Bonds. In the event all of the Reassessments are prepaid in full, the Prepayment Account will be closed.

Disbursements. On or before each Interest Payment Date, the Reassessment Fiscal Agent will withdraw from the Redemption Fund for payment to the Owners of the Reassessment Bonds the principal of, and interest and any premium, then due and payable on the Reassessment Bonds. In the event that amounts in the Redemption Fund are insufficient for such purpose, the Reassessment Fiscal Agent will apply the available funds first to the payment of interest on the Reassessment Bonds, then to the payment of principal due on the Reassessment Bonds, and then to payment of principal due on the Reassessment Bonds by reason of Bonds called for redemption.

Investment. Interest earnings and profits resulting from such investment and deposit will be retained in the Redemption Fund.

Certain Covenants of the City.

In addition to the covenants summarized in this Official Statement, the City has covenanted in the Reassessment Fiscal Agent Agreement as follows:

Books and Accounts. 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 will be made of all transactions relating to the Reassessments, which records will be subject to inspection by the Owners of the Reassessment Bonds upon reasonable prior notice on any Business Day.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Reassessment Bonds and the rights of the Owners thereto, and will warrant and defend their rights to such security against all claims and demands of all persons. From and after the delivery of any of the Reassessment Bonds by the City, the Reassessment Bonds will be incontestable by the City.

Certain Tax Covenants.

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

Federal Guarantee Prohibition. The City will not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Authority Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The City will cooperate with and take any and all actions reasonably requested by the Authority to assure compliance by the Authority with section 148(f) of the 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 Authority Bonds.

No Arbitrage. The City will not take, or permit or suffer to be taken by the Chief Financial Officer, by the Reassessment Fiscal Agent or otherwise, any action with respect to the proceeds of the Reassessment 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 Authority Bonds would have caused the Authority Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

Yield of the Reassessment Bonds. In determining the yield of the Authority Bonds to comply with the Reassessment 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 Reassessments and use of prepayments for redemption of the Reassessment Bonds, without regard to whether or not prepayments are received or Bonds redeemed.

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

Deposit and Investment of Moneys in Funds. Subject in all respects to the provisions of the Reassessment Fiscal Agent Agreement, moneys in any fund or account created or established by the Reassessment Fiscal Agent Agreement and held by the Reassessment Fiscal Agent will be invested by the Reassessment Fiscal Agent in Authorized Investments, as directed, in the case of funds held by the Reassessment Fiscal Agent, pursuant to an Officer’s Certificate filed with the Reassessment Fiscal Agent at least two Business Days in advance of the making of such investments. The following will apply to such investments:

(A) In the absence of any such Officer’s Certificate, the Reassessment Fiscal Agent will invest any such moneys in Authorized Investments described in clause (h) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out under the Reassessment Fiscal Agent Agreement; provided, however, that any such investment will be made by the Reassessment Fiscal Agent only if, prior to the date on which such investment is to be made, the Reassessment Fiscal Agent will have received an Officer’s Certificate specifying a specific money market fund and, if no such Officer’s Certificate is so received, the Reassessment Fiscal Agent will hold such moneys uninvested. The Reassessment Fiscal Agent will be entitled to rely upon any investment directions from the Authority as conclusive certification to the Reassessment Fiscal Agent that the investments described therein are so authorized under the laws of the State of California and qualify as Investment Securities. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account, subject, however, to the requirements of the Reassessment Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts;

(B) The Reassessment Fiscal Agent or its affiliates may act as principal or agent in the acquisition or disposition of any investment. The Reassessment Fiscal Agent

will incur no liability for losses arising from any investments made pursuant to the Reassessment Fiscal Agent Agreement;

(C) Investments in any and all funds and accounts may at the discretion of the Reassessment Fiscal Agent be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Reassessment 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 Reassessment Fiscal Agent under the Reassessment Fiscal Agent Agreement, provided that the Reassessment Fiscal Agent will 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 Reassessment Fiscal Agent Agreement; and

(D) The Reassessment Fiscal Agent will sell or present for redemption, any investment security whenever it will 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 the Reassessment Fiscal Agent will not be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Reassessment Fiscal Agent Agreement.

Liability of City. The City will not incur any responsibility in respect of the Reassessment Bonds or the Reassessment Fiscal Agent Agreement other than in connection with the duties or obligations explicitly provided in the Reassessment Fiscal Agent Agreement or in the Reassessment Bonds. The City will not be liable to any Owner in connection with the performance of its duties under the Reassessment Fiscal Agent Agreement, except for its own negligence or willful default. The City will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Reassessment Fiscal Agent in the Reassessment Fiscal Agent Agreement or of any of the documents executed by the Reassessment Fiscal Agent in connection with the Reassessment Bonds, or as to the existence of a default thereunder. Under the Reassessment Fiscal Agent Agreement, the following will apply to the City:

(A) In the absence of bad faith, the Reassessment Fiscal Agent and 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 Reassessment Fiscal Agent and the City and conforming to the requirements of the Reassessment Fiscal Agent Agreement. The Reassessment Fiscal Agent and the City, including the Finance Director, will not be liable for any error of judgment made in good faith unless it will be proved that it was negligent in ascertaining the pertinent facts;

(B) No provision of the Reassessment Fiscal Agent Agreement will require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the foreclosure proceedings for delinquent Reassessments and the payment of fees and costs of the Reassessment Fiscal Agent) in the performance of any of its obligations under the Reassessment Fiscal Agent Agreement or in the exercise of any of its rights or powers, if it will have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(C) The Reassessment Fiscal Agent and the City may rely and will 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 Reassessment Fiscal Agent and the City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Reassessment Fiscal Agent Agreement in good faith and in accordance therewith;

(D) The City or the Reassessment Fiscal Agent will not be bound to recognize any person as the Owner of a Reassessment Bond unless duly registered and until such Reassessment Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed; and

(E) Whenever in the administration of its duties under the Reassessment Fiscal Agent Agreement the City or the Reassessment Fiscal Agent will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Reassessment Fiscal Agent Agreement, such matter (unless other evidence in respect thereof be in the Reassessment Fiscal Agent Agreement specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the City or the Reassessment Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the Reassessment Fiscal Agent or other expert retained by the City or the Reassessment Fiscal Agent for the purposes of the Reassessment Fiscal Agent Agreement, and such certificate will be full warrant to the City or the Reassessment Fiscal Agent for any action taken or suffered under the provisions of the Reassessment Fiscal Agent Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Reassessment Fiscal Agent or the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Certain Provisions Relating to the Reassessment Fiscal Agent

Appointment. With respect to the appointment of the Reassessment Fiscal Agent:

(A) Any company into which the Reassessment 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 will be a party or any company to which the Reassessment Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company will be eligible under the following paragraph will be the successor to such Reassessment Fiscal Agent without the execution or filing of any paper or any further act, anything in the Reassessment Fiscal Agent Agreement to the contrary notwithstanding. The Reassessment Fiscal Agent will give the Treasurer written notice of any such succession under the Reassessment Fiscal Agent Agreement.

(B) The City may remove the Reassessment Fiscal Agent initially appointed and any successor thereto, and may appoint a successor or successor's thereto, but any Fiscal Agent will be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$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 combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(C) The Reassessment Fiscal Agent may at any time resign by giving 45 days' written notice to the City and by giving to the Owners notice by mail of such

resignation. Upon receiving notice of such resignation, the City will promptly appoint a successor Fiscal Agent. Any resignation or removal of the Reassessment Fiscal Agent will become effective upon acceptance of appointment by the successor Fiscal Agent.

(D) If no appointment of a successor Fiscal Agent will be made pursuant to the foregoing provisions within 45 days after the Reassessment Fiscal Agent will have given to the City written notice or after a vacancy in the office of the Reassessment Fiscal Agent will have occurred by reason of its inability to act, the Reassessment Fiscal Agent or any Reassessment Bond Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. The court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent; and

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

Liability of Fiscal Agent. With respect to the liability of the Reassessment Fiscal Agent, the following will apply:

(A) The Reassessment Fiscal Agent will not be liable in connection with the performance of its duties under the Reassessment Fiscal Agent Agreement, except for its own negligence or willful misconduct. The Reassessment Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any official statement or other disclosure material prepared or distributed with respect to the issuance of the Reassessment Bonds;

(B) The Reassessment Fiscal Agent 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 Reassessment Fiscal Agent and conforming to the requirements of the Reassessment Fiscal Agent Agreement; but in the case of any such certificates or opinions by which any provision of the Reassessment Fiscal Agent Agreement are specifically required to be furnished to the Reassessment Fiscal Agent, the Reassessment Fiscal Agent will be under no duty to examine the same to determine whether or not they conform to the requirements of the Reassessment Fiscal Agent Agreement. Except as provided above in this paragraph, Fiscal Agent will be protected and will incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Reassessment Fiscal Agent Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it will in good faith 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 Reassessment Fiscal Agent Agreement, and the Reassessment Fiscal Agent will not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument;

(C) The Reassessment Fiscal Agent will not be liable for any error of judgment made in good faith by a responsible officer unless it will be proved that the Reassessment Fiscal Agent was negligent in ascertaining the pertinent facts;

(D) No provision of the Reassessment Fiscal Agent Agreement will require the Reassessment 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 Reassessment Fiscal Agent Agreement, or in the exercise of any of its rights or powers;

(E) The Reassessment Fiscal Agent will be under no obligation to exercise any of the rights or powers vested in it by the Reassessment Fiscal Agent Agreement at the request or direction of any of the Owners pursuant to the Reassessment Fiscal Agent Agreement unless such Owners will have offered to the Reassessment Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(F) The Reassessment Fiscal Agent may become the owner of the Reassessment Bonds with the same rights it would have if it were not the Reassessment Fiscal Agent;

(G) The Reassessment Fiscal Agent agrees to accept and act upon instructions or directions pursuant to the Reassessment Fiscal Agent Agreement sent by unsecured e-mail, provided, that for purposes of Fiscal Agent agrees to accept and act upon instructions or directions pursuant to the Reassessment Fiscal Agent Agreement, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder and, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Reassessment Fiscal Agent will have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Reassessment Fiscal Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Reassessment Fiscal Agent in its discretion elects to act upon such instructions, the Reassessment Fiscal Agent's understanding of such instructions will be deemed controlling. The Reassessment Fiscal Agent will not be liable for any losses, costs or expenses arising directly or indirectly from the Reassessment Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Reassessment Fiscal Agent, including without limitation the risk of the Reassessment Fiscal Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties;

(H) The permissive right of the Reassessment Fiscal Agent to do things enumerated in the Reassessment Fiscal Agent Agreement will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct;

(I) The Reassessment Fiscal Agent may execute any of the trusts or powers thereof and perform the duties required of it under Reassessment Fiscal Agent Agreement either directly or by or through attorneys or agents, will not be liable for the negligence or willful misconduct of such attorneys or agents appointed with due care; and

(J) The Reassessment Fiscal Agent will not be concerned with or accountable to anyone for the subsequent use or application of any moneys which will be released or withdrawn in accordance with the provisions of the Reassessment Fiscal Agent Agreement.

Amendments Permitted.

With Bondowner Consent. The Reassessment Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Reassessment 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 60% in aggregate principal amount of the Reassessment Bonds then Outstanding, exclusive of disqualified Reassessment Bonds. No such modification or amendment will (i) extend the maturity of any Reassessment 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 Reassessment Bond, without the express consent of the Owner of such Reassessment Bond, or (ii) permit the creation by the City of any pledge or lien upon the Reassessments superior to or on a parity with the pledge and lien created for the benefit of the Reassessment Bonds (except as otherwise permitted by the Refunding Assessment Bond Law, the Resolution, the laws of the State of California or the Reassessment Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Reassessment Fiscal Agent Agreement, or to amend the provisions of the Reassessment Fiscal Agent Agreement relating to amendment. Any such amendment may not modify any of the rights or obligations of the Reassessment Fiscal Agent without its written consent and the Reassessment Fiscal Agent shall not be obligated to enter into any such amendment that adversely affects its rights.

Without Bondowner Consent. The Reassessment 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:

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

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect as determined by an opinion of Bond Counsel;

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

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds .

Discharge of Agreement.

If the City will pay and discharge the entire indebtedness on all Reassessment 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 Reassessment Bonds Outstanding, as and when the same become due and payable;

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

(C) by irrevocably depositing with the Reassessment Fiscal Agent, in trust, cash and Federal Securities in such amount as the City will determine, as confirmed by an independent certified public accountant, which will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts, be fully sufficient to pay and discharge the indebtedness on all Reassessment Bonds, including all principal, interest and any applicable redemption premiums, at or before their respective maturity dates;

and if such Reassessment Bonds are to be redeemed prior to the maturity thereof notice of such redemption will have been given as in the Reassessment Fiscal Agent Agreement provided or provision satisfactory to the Reassessment Fiscal Agent will have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Reassessment Bonds will not have been surrendered for payment, the pledge of the Reassessments and other funds provided for in the Reassessment Fiscal Agent Agreement and all other obligations of the City under the Reassessment Fiscal Agent Agreement with respect to all Reassessment Bonds Outstanding will cease and terminate, except only the obligation of the City to pay or cause to be paid to the Owners of the Reassessment Bonds not so surrendered and paid all sums due thereon, 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 Reassessment Bonds from gross income for federal income tax purposes, and all amounts owing to the Reassessment Fiscal Agent; and thereafter Reassessments will not be payable to the Reassessment Fiscal Agent. Notice of such election will be filed with the Reassessment Fiscal Agent. Any funds thereafter held by the Finance Director upon payments of all fees and expenses of the Reassessment Fiscal Agent, which are not required for said purpose, will be paid over to the City to be used by the City as provided in the Act and the Assessment Bond Law.

APPENDIX B

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

The following information concerning the City of Stockton and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.

General

Stockton is situated amidst the farmland of California's San Joaquin Valley, a subregion of the Central Valley. In and around Stockton are thousands of miles of waterways, which make up the California Delta. Stockton is the county seat of San Joaquin County loc. It was founded by Captain Charles Maria Weber in 1849 after he acquired Rancho Campo de los Franceses. The city is named after Robert F. Stockton and was the first community in California to not have a name of Spanish or Native American origin. The city is located on the San Joaquin River in northern San Joaquin Valley. It is the 13th largest city in California and the 63rd largest city in the United States. According to the United States Census Bureau, the city occupies a total area of 64.8 square miles (168 km²), of which 61.7 square miles (160 km²) is land and 3.1 square miles (8.0 km²) (4.76%) is water.

Stockton is the largest inland seaport in California. Since the California Gold Rush, it has served as a gateway to the Central Valley. It provided easy access for trade and transportation to the southern gold mines. It has been the location of the oldest university in California, University of the Pacific since 1923. Historically an agricultural community, Stockton's economy has since diversified into other industries, which include telecommunications and manufacturing. Stockton's central location, relative to both San Francisco and Sacramento, as well as its proximity to the state and interstate freeway system, together with its comparatively inexpensive land costs, have prompted several companies base their regional operations in the city.

Population

The table below summarizes population of the City and the County for the past five years.

CITY OF STOCKTON and SAN JOAQUIN COUNTY Population

Year	City of Stockton	San Joaquin County
2012	298,227	698,412
2013	302,227	704,700
2014	304,994	711,850
2015	312,990	723,761
2016	315,592	733,383

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark.

Employment

The following table summarizes the historical numbers of workers by industry in San Joaquin County for the last five years:

**STOCKTON LODI MSA
(SAN JOAQUIN COUNTY)
Labor Force and Industry Employment
Annual Averages by Industry**

	2011	2012	2013	2014	2015 ⁽¹⁾
Total, All Industries	207,600	212,700	221,200	226,700	234,800
Total Farm	15,500	15,700	16,100	15,700	16,500
Mining, Logging, and Construction	7,500	7,700	8,900	9,000	10,200
Manufacturing	18,000	17,800	17,900	18,500	18,900
Wholesale Trade	10,200	10,800	11,100	11,100	11,400
Retail Trade	24,200	24,900	25,600	25,700	26,100
Transportation, Warehousing & Utilities	14,700	16,000	17,200	18,300	20,000
Information	2,100	2,100	2,100	2,100	2,000
Financial Activities	7,500	7,500	7,600	7,500	7,300
Professional & Business Services	15,200	16,600	17,400	18,300	19,700
Educational & Health Services	33,700	34,000	35,500	35,900	36,500
Leisure & Hospitality	16,300	17,000	18,200	19,100	19,600
Other Services	6,300	6,500	6,600	6,900	7,100
Government	36,500	36,100	37,100	38,600	39,500

Source: California Employment Development Department, based on March 2015 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 tables summarize historical employment and unemployment for the County, the State of California and the United States for the past five years:

SAN JOAQUIN COUNTY, CALIFORNIA, and UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)
2011-2015

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2011	San Joaquin County	311,400	261,000	50,400	16.2%
	California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	San Joaquin County	312,300	267,500	44,900	14.4
	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	San Joaquin County	313,900	275,200	38,600	12.3
	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	San Joaquin County	313,800	280,800	33,000	10.5
	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 ⁽²⁾	San Joaquin County	316,900	288,800	28,100	8.9
	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

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2015, 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 table below sets forth the principal employers of the City.

CITY of STOCKTON
2015 Principal Employers

Employer	Employees	% of Total Employment
San Joaquin County	6,000	1.93%
St. Joseph's Medical Center	4,600	1.48
Stockton Unified School District	3,366	1.08
City of Stockton	1,862	.60
Dameron Hospital	1,200	.39
Pacific Gas and Electric	600	.19
Kaiser Permanente	1,065	.34
San Joaquin Delta College	1,000	.32
University of the Pacific	900	.29
Lincoln Unified School District	631	.20
Totals	21,224	6.81

Source: City of Stockton 2015 Comprehensive Annual Financial Report.

The following table lists the largest employers within the County.

**SAN JOAQUIN COUNTY
Major Employers
(Listed Alphabetically)**

Employer	Location	Industry
B & B Ranch	Linden	Ranches
Blue Shield of California	Lodi	Insurance
Dameron Hospital Assn	Stockton	Hospitals
Deuel Vocational Institution	Tracy	City Govt-Correctional Institutions
Division of Juvenile Justice	Stockton	Government Offices-State
Foster Care Svc	Stockton	Government Offices-County
Inland Flying Svc	Stockton	Aircraft Servicing & Maintenance
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health	Lodi	Hospitals
Lodi Memorial Hosp Home Health	Lodi	Home Health Service
Morada Produce Co	Stockton	Fruits & Vegetables-Growers & Shippers
North California Youth Ctr	Not Available	Police Departments
O-G Packing & Cold Storage Co	Stockton	Fruits & Vegetables-Growers & Shippers
Pacific Coast Producers	Lodi	Canning (mfrs)
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Purchasing	Not Available	Hospitals
Safeway Distribution Warehouse	Tracy	Distribution Centers (whls)
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin General Hospital	Stockton	Hospitals
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
St Joseph's Cancer Ctr	Stockton	Cancer Treatment Centers
University of the Pacific	Stockton	Schools-Universities & Colleges Academic
Walmart Supercenter	Stockton	Department Stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System ("ALMIS") Employer Database.

Construction Activity

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

**CITY of STOCKTON
Building Permits and Valuation
(Dollars in Thousands)**

	2011	2012	2013	2014	2015 ⁽¹⁾
Permit Valuation:					
New Single-family	26,058	24,406	24,633	19,135	32,955
New Multi-family	-	-	7,265	1,011	29,605
Res. Alterations/Additions	22,055	7,622	9,608	13,577	12,860
Total Residential	48,113	32,028	41,507	33,724	75,421
Total Nonresidential	43,336	57,071	92,300	87,732	78,556
Total All Building	91,449	89,100	133,808	121,456	153,978
New Dwelling Units:					
Single Family	127	122	96	75	123
Multiple Family	-	-	70	4	257
Total	127	122	166	79	380

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

Note: Totals may not add due to independent rounding.

(1) Last available full year data.

SAN JOAQUIN COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2011	2012	2013	2014 ⁽¹⁾	2015 ⁽¹⁾
Permit Valuation:					
New Single-family	159,012	250,227	264,761	318,760	455,877
New Multi-family	14,853	-	7,601	4,726	48,792
Res. Alterations/Additions	48,093	22,356	28,764	78,511	42,764
Total Residential	<u>221,958</u>	<u>272,583</u>	<u>301,127</u>	<u>401,998</u>	<u>547,434</u>
Total Nonresidential	168,018	240,289	552,315	203,784	500,627
Total All Building	<u>389,977</u>	<u>512,873</u>	<u>853,443</u>	<u>605,782</u>	<u>1,048,061</u>
New Dwelling Units:					
Single Family	728	1,052	1,062	1,214	1,698
Multiple Family	152	-	74	19	387
Total	<u>880</u>	<u>1,052</u>	<u>1,136</u>	<u>1,233</u>	<u>2,085</u>

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

Note: Totals may not add due to independent rounding.

(1) Last available full year data.

Commercial Activity

Taxable sales in the City and County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

CITY OF STOCKTON
Taxable Sales, 2009-2013
(Dollars in thousands)

	2009	2010	2011	2012	2013 ⁽¹⁾
Retail and Food Services					
Motor Vehicles and Parts Dealers	313,404	334,631	394,874	456,246	499,744
Furniture and Home Furnishings Stores	91,709	83,420	83,487	81,253	82,038
Bldg Mtrl. and Garden Equip. and Supplies	205,244	200,646	208,947	215,671	225,980
Food and Beverage Stores	165,743	167,604	175,879	174,223	169,131
Gasoline Stations	245,921	288,806	348,235	363,080	358,719
Clothing and Clothing Accessories Stores	136,959	138,753	141,688	146,394	151,141
General Merchandise Stores	425,688	424,748	421,118	428,163	445,944
Food Services and Drinking Places	282,741	273,821	280,272	294,215	305,776
Other Retail Group	341,855	336,353	342,789	340,949	352,149
Total Retail and Food Services	<u>2,209,264</u>	<u>2,248,782</u>	<u>2,397,288</u>	<u>2,500,195</u>	<u>2,590,622</u>
All Other Outlets	635,724	618,625	736,036	815,967	803,169
Totals All Outlets	<u>2,844,988</u>	<u>2,867,407</u>	<u>3,133,324</u>	<u>3,316,162</u>	<u>3,393,791</u>

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Note: Totals may not add due to independent rounding.

(1) Last available full year data.

(#) Sales omitted because their publication would result in the disclosure of confidential information.

SAN JOAQUIN COUNTY
Taxable Sales, 2009-2013
(Dollars in thousands)

	2009	2010	2011	2012	2013 ⁽¹⁾
Retail and Food Services					
Motor Vehicles and Parts Dealers	742,711	768,694	865,634	999,543	1,139,823
Furniture and Home Furnishings Stores	75,530	98,872	136,911	142,791	164,304
Electronics and Appliance Stores	129,094	126,593	126,667	133,410	147,168
Bldg Mtrl. and Garden Equip. and Supplies	412,049	412,968	436,305	471,953	569,656
Food and Beverage Stores	366,433	384,275	393,898	391,882	385,463
Health and Personal Care Stores	110,042	111,040	118,557	128,378	136,822
Gasoline Stations	869,400	1,020,392	1,271,752	1,319,579	1,310,405
Clothing and Clothing Accessories Stores	251,071	252,595	258,474	274,789	285,291
Sporting Goods, Hobby, Book and Music Stores	140,439	142,979	147,948	156,240	167,354
General Merchandise Stores	877,656	904,339	955,395	1,025,786	1,062,642
Miscellaneous Store Retailers	330,572	328,240	338,722	342,631	353,653
Nonstore Retailers	51,658	50,946	55,175	63,399	86,467
Food Services and Drinking Places	617,784	612,049	635,510	674,001	710,491
Total Retail and Food Services	4,974,437	5,213,982	5,740,948	6,124,321	6,519,537
All Other Outlets	2,285,636	2,388,108	2,686,004	2,886,608	2,946,478
Totals All Outlets	7,260,073	7,602,090	8,426,952	9,010,930	9,466,015

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Note: Totals may not add due to independent rounding.

(1) Last available full year data.

Median Household Income

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

CITY OF STOCKTON, SAN JOAQUIN COUNTY, STATE and UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2011	City of Stockton	4,119,228	35,913
	San Joaquin County	11,534,633	42,000
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Stockton	4,346,255	37,189
	San Joaquin County	11,761,283	41,939
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	City of Stockton	4,471,413	38,548
	San Joaquin County	11,964,855	43,204
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Stockton	4,569,848	38,987
	San Joaquin County	12,381,905	44,235
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of Stockton	4,794,993	40,353
	San Joaquin County	13,008,028	46,491
	California	981,231,666	53,589
	United States	7,757,960,399	46,738

Source: The Nielsen Company (US), Inc.

APPENDIX C

INFORMATION REGARDING THE COMMUNITY FACILITIES DISTRICTS

The Acquired Obligations include the four series of CFD Bonds, each issued with respect to a separate Community Facilities District (a “CFD”) formed by the City, and each payable from Special Tax levies on property in the related CFD. See “SECURITY FOR THE CFD BONDS.” Set forth below is information regarding each of the four CFDs. Note that columns in the various tables that include Direct and Overlapping Debt are subject to change, based on the final initial principal amounts of the CFD Bonds.

SPANOS PARK WEST CFD 2001-1

Location and Description of CFD No. 2001-1

The City of Stockton Spanos Park West Community Facilities District No. 2001-1 (the “2001-1 CFD”) includes approximately 316 total acres located in the northwestern portion of the City. The land within CFD 2001-1 represents the residential portion of the master planned “Spanos Park West” community. Adjacent land uses include the Spanos Golf Course to the north, developed commercial use land bordering Interstate 5 to the east, Bear Creek and Disappointment Slough to the south, and agricultural land outside of the City limits to the west.

Land Use Distribution

The following table shows the distribution of land uses of Taxable Parcels within CFD 2001-1 based on the fiscal year 2015-16 Special Tax levy.

TABLE C-1
City of Stockton
Community Facilities District 2001-1 Spanos Park West
Ownership/Land Use Distribution

Land Use Category	Number Obligated Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value
Developed Single Family	1,251	\$21,300,396	99.52%	\$385,135,407	99.85%
Vacant Residential	6	102,160	0.48	560,697	0.15
	1,257	\$21,402,556	100.00%	\$385,696,104	100.00%

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Direct and Overlapping Indebtedness

The following table sets forth the direct and overlapping indebtedness applicable to property in CFD 2001-1 as of June 1, 2016:

TABLE C-2
City of Stockton
Community Facilities District 2001-1 Spanos Park West
Direct and Overlapping Indebtedness

<u>2015-16 Local Secured Assessed Valuation:</u>	\$385,696,104		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 6/1/16</u>
San Joaquin Delta Community College District		0.559%	\$ 749,117
Lodi Unified School District		2.579	2,213,894
Lodi Unified School District School Facilities Improvement District No. 1		6.571	2,417,018
Reclamation District No. 2042 Community Facilities District No. 2001-1		2.020	122,527
City of Stockton CFD No. 2001-1 (Spanos Park West)		100.000	<u>15,900,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$21,402,556
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation		0.611%	\$ 821,346
Lodi Unified School District Certificates of Participation		2.579	668,372
City of Stockton General Fund Obligations and Pension Obligations		1.960	<u>1,479,681</u>
TOTAL OVERLAPPING GENERAL FUND DEBT			\$2,969,399
COMBINED TOTAL DEBT			\$24,371,955 ⁽²⁾

(1) Excludes refunding Mello-Roos Act bonds to be sold.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$15,900,000)	4.12%
Total Direct and Overlapping Tax and Assessment Debt	5.55%
Combined Total Debt	6.32%

Source: California Municipal Statistics, Inc.

Top Property Owners

The following table shows the property owners responsible for the largest Special Tax levy in CFD 2001-1, based on the Special Tax levy for fiscal year 2015-16, the direct and overlapping debt allocable to their respective parcels, the fiscal year 2015-16 County assessed values for their property and the estimated assessed value for the total direct and overlapping debt for their respective properties.

TABLE C-3
City of Stockton
Community Facilities District 2001-1 Spanos Park West
2015-16 Top Property Owners⁽¹⁾

Property Owner	Land Use	Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value	Value to Lien
NCT AMT LLC	Residential	4	\$ 68,107	0.32%	\$ 1,181,000	17.34
NGUYEN, QUAN VO ANH TR	Residential	3	51,080	0.24	1,089,281	21.32
NGUYEN, BAO Q & HIEU H	Residential	2	34,053	0.16	979,063	28.75
GREENGRAPE LLC	Residential	3	51,080	0.24	873,825	17.11
ASNANI, MOHAN & BINA ETAL	Residential	3	51,080	0.24	865,796	16.95
LE, DIAMOND N	Residential	2	34,053	0.16	701,344	20.60
VARUGHESE, PHILIP & SUMA	Residential	2	34,053	0.16	691,867	20.32
LE, HENRY & PHUNG THI TR	Residential	3	51,080	0.24	661,028	12.94
GHUMAN, AMRIT PAL K ETAL	Residential	2	34,053	0.16	657,866	19.32
NGUYEN, CHINH D T & BOILAN TR	Residential	3	51,080	0.24	638,668	12.50
Others	Residential and Vacant Residential	1,230	20,942,835	97.85	377,356,366	18.02
		1,257	\$21,402,556	100.00%	\$385,696,104	18.02

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.
Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Value-to-Burden Ratio

No Appraisal of Property in the CFD. The City has not commissioned an appraisal of the Taxable Parcels in CFD 2001-1 in connection with the issuance of the Bonds. Therefore, the valuation of the Taxable Parcels in CFD 2001-1 has been estimated for the purposes of this Official Statement based on the County Assessor's values. The current market value of the parcels within CFD 2001-1 may be less than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Value-to-Burden Ratios. In comparing the aggregate assessed value of the real property within CFD 2001-1 and the principal amount of the CFD Bonds for CFD 2001-1, 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 CFD 2001-1 Bonds is not allocated pro-rata among the parcels within CFD 2001-1; rather, the total Special Taxes have been allocated among the parcels within CFD 2001-1 according to the Rate and Method of Apportionment of Special Taxes for CFD 2001-1. The "assessed value-to-burden lien" measures the burden of Special Taxes borne by each property in CFD 2001-1 relative to the burden borne by other properties in CFD 2001-1.

The value-to-lien ratio on bonds secured by special taxes will generally vary over time as a result of changes in the value of the property that is security for the Special Taxes and the principal amount of the CFD 2001-1 Bonds.

Economic and other factors beyond the property owners' control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within CFD 2001-1. See "RISK FACTORS."

TABLE C-4
City of Stockton
Community Facilities District 2001-01 Spanos Park West
Value-to-Lien Categories

Value to Lien Category	No. Obligated Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value	Average Value to Lien
Greater than 20:1	977	\$16,635,081	77.72%	\$327,387,603	84.88%	19.7
15:1 to 19.9:1	201	3,422,366	15.99	44,903,011	11.64	13.1
10:1 to 14.9:1	75	1,277,002	5.97	13,159,793	3.41	10.3
5:1 to 9.9:1	1	17,027	0.08	91,798	0.02	5.4
1:1 to 4.9:1	3	51,080	0.24	153,899	0.04	3.0
Less than 1:1	0	0	0.00	0	0.00	n/a
	1,257	\$21,402,556	100.00%	\$385,696,104	100.00%	18.0

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Rate and Method; Maximum Special Taxes

The Rate and Method by which the annual Special Tax levy on Taxable Parcels in CFD 2001-1 is determined has no provision for any annual increases in the Maximum Special tax rates for the parcels in CFD 2001-1, and provides that no Special Tax shall be levied in CFD 2001-1 after Fiscal Year 2034-35.

The following table shows the total expected levy and total expected maximum tax on Taxable Parcels within CFD 2001-1 based on fiscal year 2015-16.

TABLE C-5
City of Stockton
Community Facilities District 2001-1 Spanos Park West
Total Expected Levy and Total Expected Maximum Tax ⁽¹⁾
(Fiscal Years 2016/17 to 2031/32)

Fiscal Year	Total Expected Levied	Total Expected Maximum Levied
2016/17	\$1,455,681.42	\$1,885,500.00
2017/18	1,455,681.42	1,885,500.00
2018/19	1,455,681.42	1,885,500.00
2019/20	1,455,681.42	1,885,500.00
2020/21	1,455,681.42	1,885,500.00
2021/22	1,455,681.42	1,885,500.00
2022/23	1,455,681.42	1,885,500.00
2023/24	1,455,681.42	1,885,500.00
2024/25	1,455,681.42	1,885,500.00
2025/26	1,455,681.42	1,885,500.00
2026/27	1,455,681.42	1,885,500.00
2027/28	1,455,681.42	1,885,500.00
2028/29	1,455,681.42	1,885,500.00
2029/30	1,455,681.42	1,885,500.00
2030/31	1,455,681.42	1,885,500.00
2031/32	1,455,681.42	1,885,500.00

(1) There is no annual inflator for the maximum Special Tax rates for this CFD.
Source: Willdan Financial Services

Delinquencies

The following table sets forth the historic delinquencies in the payment of Special Taxes for CFD 2001-1.

TABLE C-6
Stockton Public Financing Authority
City of Stockton
Community Facilities District 2001-01 Spanos Park West
Delinquency Summary
as of May 13, 2016

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	1,257	0	\$1,453,619.94	\$0	0.00%
2011/12	1,257	0	1,436,776.14	0	0.00
2012/13	1,257	0	1,449,371.28	0	0.00
2013/14	1,257	2	1,455,480.30	1,158	0.08
2014/15	1,257	3	1,454,399.28	3,471	0.24
2015/16 ⁽¹⁾	1,257	18	1,455,681.42	14,476	0.99

(1) Reflects the delinquent amount of the FY15/16 Special Tax as of May 13, 2016.
Source: San Joaquin County as compiled by Willdan Financial Services

CAMERA ESTATES CFD 2003-1

Location and Description of CFD No. 2003-1

The City of Stockton Camera Estates Community Facilities District No. 2003-1 (the “2003-1 CFD”) is comprised of land located in the northern portion of the City, along the west line of Holman Road, south of Hammer Lane, in a reasonable proximity to State Highway 99, which is located approximately one mile to the east. The Union Pacific Railroad and Vanessa Way border the District to the west and south directions, respectively. The property represents a portion of the North Stockton Projects master planned area, located south of Hammer Lane, east of Interstate 5 and west of State Highway 99, in the northern portion of the City. The project will have significant frontage along the west line of Holman Road and is accessible from Holman Road, south of Hammer Lane. Holman Road connects with Hammer Lane, a main roadway in the area that provides access to Interstate 5 to the west and direct access to State Highway 99 to the east.

CFD 2003-1 contains approximately 80 gross acres of generally level land with 431 single-family homes. Land uses near to the District include auto dealerships on Auto Center Circle to the north, transitional land beyond Holman Road to the east, Union Pacific Railroad to the west and Vanessa Way to the south, which is the southern boundary of the District and separates it from vacant land and a school.

Land Use Distribution

The following table shows the distribution of land uses of Taxable Parcels within CFD 2003-1 based on the fiscal year 2015-16 Special Tax levy.

**TABLE C-7
City of Stockton
Community Facilities District 2003-1 Camera Estates
Ownership/Land Use Distribution**

Land Use Category	Number Obligated Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value
Developed Single Family	431	\$6,082,654	100.00%	\$99,285,552	100.00%
	431	\$6,082,654	100.00%	\$99,285,552	100.00%

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Direct and Overlapping Indebtedness

The following table sets forth the direct and overlapping indebtedness applicable to property in CFD 2003-1 as of June 1, 2016:

TABLE C-8
City of Stockton
Community Facilities District 2003-1 Camera Estates
Direct and Overlapping Indebtedness

2015-16 Local Secured Assessed Valuation:	\$99,285,552		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 6/1/16</u>
San Joaquin Delta Community College District General Obligation Bonds		0.144%	\$ 193,319
Stockton Unified School District General Obligation Bonds		0.874	3,369,335
City of Stockton Community Facilities District No. 2003-1		100.000	<u>2,520,000⁽¹⁾</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$6,082,654</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation		0.158%	\$211,959
Stockton Unified School District Certificates of Participation		0.874	342,838
City of Stockton General Fund and Pension Obligations		0.506	381,850
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$936,647</u>
COMBINED TOTAL DEBT			<u>\$7,019,301⁽²⁾</u>

(1) Excludes refunding bonds to be sold.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$2,520,000)	2.54%
Total Direct and Overlapping Tax and Assessment Debt	6.13%
Combined Total Debt	7.07%

Source: California Municipal Statistics, Inc.

Top Property Owners

The following table shows the property owners responsible for the largest Special Tax levy in CFD 2003-1, based on the Special Tax levy for fiscal year 2015-16, the direct and overlapping debt allocable to their respective parcels, the fiscal year 2015-16 County assessed values for their property and the estimated assessed value for the total direct and overlapping debt for their respective properties.

TABLE C-9
City of Stockton
Community Facilities District 2003-1 Camera Estates
2015-16 Top Property Owners⁽¹⁾

Property Owner	Land Use	Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value	Value to Lien
SPILLANE, JAMES & CELESTE	Residential	3	\$42,339	0.70%	\$816,890	19.3
GHUMAN, HARDIAL S	Residential	3	42,339	0.70	732,441	17.3
SINGH, MUKHTIAR & LAKHVIR	Residential	3	42,339	0.70	625,792	14.8
YIN, PHORS	Residential	2	28,226	0.46	554,135	19.6
BAHADUR, SHER MOHAMMED	Residential	2	28,226	0.46	501,437	17.8
CHEN, WEI ETAL	Residential	2	28,226	0.46	489,872	17.4
DRENG, KIM & BOUAKHAM	Residential	2	28,226	0.46	471,112	16.7
LIN, ZU JIE	Residential	2	28,226	0.46	395,741	14.0
AJ HERITAGE HOMES INC	Residential	2	28,226	0.46	346,450	12.3
WANG, GUANG HUI & SIU PING ETAL	Residential	2	28,226	0.46	346,012	12.3
Other	Residential	408	5,758,058	94.66	94,005,670	16.3
		431	\$6,082,654	100.00%	\$99,285,552	16.3

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.
Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Value-to-Burden Ratio

No Appraisal of Property in the CFD. The City has not commissioned an appraisal of the Taxable Parcels in CFD 2003-1 in connection with the issuance of the Bonds. Therefore, the valuation of the Taxable Parcels in CFD 2003-1 has been estimated for the purposes of this Official Statement based on the County Assessor’s values. The current market value of the parcels within CFD 2003-1 may be less than the County Assessor’s values shown in this Official Statement.

General Information Regarding Assessed Value-to-Burden Ratios. In comparing the aggregate assessed value of the real property within CFD 2003-1 and the principal amount of the CFD Bonds for CFD 2003-1, 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 CFD 2003-1 Bonds is not allocated pro-rata among the parcels within CFD 2003-1; rather, the total Special Taxes have been allocated among the parcels within CFD 2003-1 according to the Rate and Method of Apportionment of Special Taxes for CFD 2003-1. The “assessed value-to-burden lien” measures the burden of Special Taxes borne by each property in CFD 2003-1 relative to the burden borne by other properties in CFD 2003-1.

The value-to-lien ratio on bonds secured by special taxes will generally vary over time as a result of changes in the value of the property that is security for the Special Taxes and the principal amount of the CFD 2003-1 Bonds.

Economic and other factors beyond the property owners’ control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within CFD 2003-1. See “RISK FACTORS.”

TABLE C-10
City of Stockton
Community Facilities District 2003-1 Camera Estates
Value-to-Lien Categories

Value to Lien Category	No. Obligated Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value	Average Value to Lien
Greater than 20:1	76	\$1,072,579	17.63%	\$23,054,892	23.22%	21.5
15:1 to 19.9:1	191	2,695,561	44.32	47,347,496	47.69	17.6
10:1 to 14.9:1	158	2,229,836	36.66	28,129,289	28.33	12.6
5:1 to 9.9:1	5	70,564	1.16	685,464	0.69	9.7
1:1 to 4.9:1	1	14,113	0.23	68,411	0.07	4.8
Less than 1:1	0	0	0.00	0	0.00	n/a
	431	\$6,082,654	100.00%	\$99,285,552	100.00%	16.3

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Rate and Method; Maximum Special Taxes

The Rate and Method by which the annual Special Tax levy on Taxable Parcels in CFD 2003-1 is determined has no provision for any annual increases in the Maximum Special tax rates for the parcels in CFD 2003-1, and provides that no Special Tax shall be levied in CFD 2003-1 after Fiscal Year 2037-38.

The following table shows the total expected levy and total expected maximum tax on Taxable Parcels within CFD 2003-1 based on fiscal year 2015-16.

TABLE C-11
City of Stockton
Community Facilities District 2003-1 Camera Estates
Total Expected Levy and Total Expected Maximum Tax ⁽¹⁾
(Fiscal Years 2016/17 to 2032/33)

Fiscal Year	Total Expected Levied	Total Expected Maximum Levied
2016/17	\$247,376.76	\$258,600.00
2017/18	247,376.76	258,600.00
2018/19	247,376.76	258,600.00
2019/20	247,376.76	258,600.00
2020/21	247,376.76	258,600.00
2021/22	247,376.76	258,600.00
2022/23	247,376.76	258,600.00
2023/24	247,376.76	258,600.00
2024/25	247,376.76	258,600.00
2025/26	247,376.76	258,600.00
2026/27	247,376.76	258,600.00
2027/28	247,376.76	258,600.00
2028/29	247,376.76	258,600.00
2029/30	247,376.76	258,600.00
2030/31	247,376.76	258,600.00
2031/32	247,376.76	258,600.00
2032/33	247,376.76	258,600.00

(1) There is no annual inflator for the maximum Special Tax rates for this CFD.
Source: Willdan Financial Services

Delinquencies

The following table sets forth the historic delinquencies in the payment of Special Taxes for CFD 2003-1.

TABLE C-12
Stockton Public Financing Authority
City of Stockton
Community Facilities District 2003-1 Camera Estates
Delinquency Summary
as of May 13, 2016

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	431	0	\$242,713.34	\$0	0.00%
2011/12	431	0	239,506.70	0	0.00
2012/13	431	1	247,247.46	574	0.23
2013/14	430	0	247,043.60	0	0.00
2014/15	431	1	245,971.70	285	0.12
2015/16 ⁽¹⁾	431	2	247,376.76	574	0.23

(1) Reflects the delinquent amount of the FY15/16 Special Tax as of May 13, 2016.
 Source: San Joaquin County as compiled by Willdan Financial Services

RIVERBEND CFD 2006-1

Location and Description of CFD 2006-1

The City of Stockton Community Facilities District No. 2006-1 (Riverbend) (the “2006-1 CFD”) consists of approximately 137 gross acres of land including approximately 81.5 acres under residential development. In addition to that portion of CFD 2006-1 developed with 503 single family homes, the remainder of CFD 2006-1 includes a variety of public and quasi-public uses including a school site, park site, storm drain basin and public access. CFD 2006-1 is located approximately 1.5 miles south of Hammer Lane and 0.5 miles west of State Highway 99, just north of the Calaveras River, within the City.

Land Use Distribution

The following table shows the distribution of land uses of Taxable Parcels within CFD 2006-1 based on the fiscal year 2015-16 Special Tax levy.

TABLE C-13
City of Stockton
Community Facilities District 2006-1 Riverbend
Ownership/Land Use Distribution

Land Use Category	Number Obligated Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value
Developed Single Family	583	\$8,282,782	100.00%	\$137,138,321	100.00%
	583	\$8,282,782	100.00%	\$137,138,321	100.00%

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Direct and Overlapping Indebtedness

The following table sets forth the direct and overlapping indebtedness applicable to property in CFD 2006-1 as of June 1, 2016:

TABLE C-14
City of Stockton
Community Facilities District 2006-1 Riverbend
Direct and Overlapping Indebtedness

2015-16 Local Secured Assessed Valuation:	\$137,138,321		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 6/1/16</u>
San Joaquin Delta Community College District		0.198%	\$ 266,038
Stockton Unified School District		1.202	4,636,744
City of Stockton Community Facilities District No. 2006-1		100.000	3,380,000 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$8,282,782</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation		0.217%	\$ 291,689
Stockton Unified School District Certificates of Participation		1.202	471,799
City of Stockton General Fund and Pension Obligations		0.696	525,487
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$1,288,975</u>
COMBINED TOTAL DEBT			<u>\$9,571,757⁽²⁾</u>

(1) Excludes Mello-Roos Act bonds to be sold.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$3,380,000)	2.46%
Total Direct and Overlapping Tax and Assessment Debt	6.04%
Combined total Debt	6.98%

Source: California Municipal Statistics, Inc.

Top Property Owners

The following table shows the property owners responsible for the largest Special Tax levy in CFD 2006-1, based on the Special Tax levy for fiscal year 2015-16, the direct and overlapping debt allocable to their respective parcels, the fiscal year 2015-16 County assessed values for their property and the estimated assessed value for the total direct and overlapping debt for their respective properties.

TABLE C-15
City of Stockton
Community Facilities District 2006-1 Riverbend
2015-16 Top Property Owners⁽¹⁾

Property Owner	Land Use	Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value	Value to Lien
HUANG, TE CHOU A & CHIH MEI M	Residential	2	\$28,414	0.34%	\$512,352	18.03
CHANG, CHIUNG YUEH Y TR	Residential	2	28,414	0.34	489,097	17.21
LIN, CHANG MING & JOLAN	Residential	2	28,414	0.34	487,035	17.14
XIN, YUNBIAO & WENHUA	Residential	2	28,414	0.34	480,771	16.92
FANG, KEWEI	Residential	2	28,414	0.34	480,720	16.92
KOO, BENNY & YIWEN	Residential	2	28,414	0.34	479,643	16.88
MO, YAOWU & JIE	Residential	2	28,414	0.34	470,451	16.56
LIU, STEVEN & MEICHIN	Residential	2	28,414	0.34	450,350	15.85
IRA SERVICES TRUST CO	Residential	2	28,414	0.34	440,781	15.51
IRA SERVICES TRUST CO ETAL	Residential	2	28,414	0.34	433,717	15.26
Other	Residential	563	7,998,639	96.57	132,413,404	16.55
		583	\$8,282,782	100.00%	\$137,138,321	16.56

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.
Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Value-to-Burden Ratio

No Appraisal of Property in the CFD. The City has not commissioned an appraisal of the Taxable Parcels in CFD 2006-1 in connection with the issuance of the Bonds. Therefore, the valuation of the Taxable Parcels in CFD 2006-1 has been estimated for the purposes of this Official Statement based on the County Assessor's values. The current market value of the parcels within CFD 2006-1 may be less than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Value-to-Burden Ratios. In comparing the aggregate assessed value of the real property within CFD 2006-1 and the principal amount of the CFD Bonds for CFD 2006-1, 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 CFD 2006-1 Bonds is not allocated pro-rata among the parcels within CFD 2006-1; rather, the total Special Taxes have been allocated among the parcels within CFD 2006-1 according to the Rate and Method of Apportionment of Special Taxes for CFD 2006-1. The "assessed value-to-burden lien" measures the burden of Special Taxes borne by each property in CFD 2006-1 relative to the burden borne by other properties in CFD 2006-1.

The value-to-lien ratio on bonds secured by special taxes will generally vary over time as a result of changes in the value of the property that is security for the Special Taxes and the principal amount of the CFD 2006-1 Bonds.

Economic and other factors beyond the property owners' control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within CFD 2006-1. See "RISK FACTORS."

TABLE C-16
City of Stockton
Community Facilities District 2006-1 Riverbend
Value-to-Lien Categories

Value to Lien Category	No. Obligated Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value	Average Value to Lien
Greater than 20:1	74	\$1,051,331	12.69%	\$ 22,131,052	16.14%	21.1
15:1 to 19.9:1	327	4,645,746	56.09	80,434,228	58.65	17.3
10:1 to 14.9:1	181	2,571,498	31.05	34,433,694	25.11	13.4
5:1 to 9.9:1	1	14,207	0.17	139,347	0.10	9.8
1:1 to 4.9:1	0	0	0.00	0	0.00	n/a
Less than 1:1	0	0	0.00	0	0.00	n/a
	583	\$8,282,782	100.00%	\$137,138,321	100.00%	16.6

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Rate and Method; Maximum Special Taxes

The Rate and Method by which the annual Special Tax levy on Taxable Parcels in CFD 2006-1 is determined has no provision for any annual increases in the Maximum Special tax rates for the parcels in CFD 2006-1, and provides that no Special Tax shall be levied in CFD 2006-1 after Fiscal Year 2040-41.

The following table shows the total expected levy and total expected maximum tax on Taxable Parcels within CFD 2006-1 based on fiscal year 2015-16.

TABLE C-17
City of Stockton
Community Facilities District 2006-1 Riverbend
Total Expected Levy and Total Expected Maximum Tax ⁽¹⁾
(Fiscal Years 2016/17 to 2035/36)

Fiscal Year	Total Expected Levied	Total Expected Maximum Levied
2016/17	\$290,205.74	\$291,500.00
2017/18	290,205.74	291,500.00
2018/19	290,205.74	291,500.00
2019/20	290,205.74	291,500.00
2020/21	290,205.74	291,500.00
2021/22	290,205.74	291,500.00
2022/23	290,205.74	291,500.00
2023/24	290,205.74	291,500.00
2024/25	290,205.74	291,500.00
2025/26	290,205.74	291,500.00
2026/27	290,205.74	291,500.00
2027/28	290,205.74	291,500.00
2028/29	290,205.74	291,500.00
2029/30	290,205.74	291,500.00
2030/31	290,205.74	291,500.00
2031/32	290,205.74	291,500.00
2032/33	290,205.74	291,500.00
2033/34	290,205.74	291,500.00
2034/35	290,205.74	291,500.00
2035/36	290,205.74	291,500.00

(1) There is no annual inflator for the maximum Special Tax rates for this CFD.
Source: Willdan Financial Services

Delinquencies

The following table sets forth the historic delinquencies in the payment of Special Taxes for CFD 2006-1.

TABLE C-18
Stockton Public Financing Authority
City of Stockton
Community Facilities District 2006-1 Riverbend
Delinquency Summary
as of May 13, 2016

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	583	0	\$291,500.00	\$0	0.00%
2011/12	583	0	274,604.66	0	0.00
2012/13	583	0	282,918.24	0	0.00
2013/14	583	0	261,487.16	0	0.00
2014/15	583	2	287,127.50	739	0.26
2015/16 ⁽¹⁾	583	6	290,205.74	2,240	0.77

(1) Reflects the delinquent amount of the FY15/16 Special Tax as of May 13, 2016.
 Source: San Joaquin County as compiled by Willdan Financial Services

NORTHBROOK CFD 2006-3 WOODSIDE IMPROVEMENT AREA 1

Location and Description of Area 1 of CFD 2006-3

The City of Stockton Community Facilities District No. 2006-3 (Northbrook) Woodside Improvement Area 1 (“Area 1 of CFD 2006-3”) is generally located in the northern area of the City, between Interstate 5 and State Highway 99. Specifically, the property is located along the west line of Lower Sacramento Road at Marlette Road and contains approximately 69.94 gross acres, including public use areas such as streets and open space that is not subject to Special taxes. The balance of Area 1 is devoted to residential use and consists of 337 single-family detached homes.

The property includes two separate neighborhoods identified as Preston Meadows and Sterlingshire. Preston Meadows contains 224 homes that generally comprise the land area west of the proposed Marlette Road, while Sterlingshire contains 113 homes generally located east of Merlette Road (9 lots within Sterlingshire are located west of Marlette Road). The typical lot sizes of Preston Meadows and Sterlingshire are 5,050 and 5,985 square feet, respectively. Special Taxes have been fully prepaid with respect to 10 of the parcels in Area 1 of CFD 2006-3.

Land Use Distribution

The following table shows the distribution of land uses of Taxable Parcels within Area 1 of CFD 2006-3 based on the fiscal year 2015-16 Special Tax levy.

TABLE C-19
City of Stockton
Area 1 of Community Facilities District 2006-3 (Northbrook)
Ownership/Land Use Distribution

Land Use Category	Number Obligated Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value ⁽¹⁾	% Total Assessed Value
Developed Single Family	337	\$7,150,774	100.00%	\$102,349,001	100.00%
	337	\$7,150,774	100.00%	\$102,349,00	100.00%

(1) Source: FY 2015/16 San Joaquin County Tax Roll, as compiled by Willdan Financial Services. For newly developed parcels for which tax roll data was unavailable, recorded transaction prices from the developer to the homeowner were used.

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Direct and Overlapping Indebtedness

The following table sets forth the direct and overlapping indebtedness applicable to property in Area 1 of CFD 2006-3 as of June 1, 2016:

TABLE C-20
City of Stockton
Area 1 of Community Facilities District 2006-3 (Northbrook)
Direct and Overlapping Indebtedness

<u>2015-16 Local Secured Assessed Valuation:</u>		\$88,541,742	
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 6/1/16</u>
San Joaquin Delta Community College District		0.127%	\$ 170,677
Lodi Unified School District		0.588	504,409
Lodi Unified School District School Facilities Improvement District		1.497	550,688
City of Stockton Community Facilities District No. 2006-3, I.A. No. 1		100.000	5,925,000 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$7,150,774</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation		0.139%	\$187,134
Lodi Unified School District Certificates of Participation		0.615	159,498
City of Stockton General Fund and Pension Obligations		0.447	<u>337,127</u>
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$683,759</u>
COMBINED TOTAL DEBT			<u>\$7,834,533⁽²⁾</u>

(1) Excludes Mello-Roos Act bonds to be sold.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$5,925,000)	6.69%
Total Direct and Overlapping Tax and Assessment Debt	8.08%
Combined total Debt	8.85%

Source: California Municipal Statistics, Inc.

Top Property Owners

The following table shows the property owners responsible for the largest Special Tax levy in Area 1 of CFD 2006-3, based on the Special Tax levy for fiscal year 2015-16, the direct and overlapping debt allocable to their respective parcels, the fiscal year 2015-16 County assessed values for their property and the estimated assessed value for the total direct and overlapping debt for their respective properties.

TABLE C-21
City of Stockton
Area 1 of Community Facilities District 2006-3 (Northbrook)
2015-16 Top Property Owners⁽¹⁾

Property Owner	Land Use	Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value ⁽²⁾	Value to Lien
WANG, YANCHEN	Residential	2	\$ 42,438	0.59%	\$ 764,762	18.02
WONG, EDLEN	Residential	1	21,219	0.30	454,952	21.44
ATWAL, GURDEV S	Residential	1	21,219	0.30	434,668	20.48
HANSEN, MICHAEL C & VERNA MAE	Residential	1	21,219	0.30	434,652	20.48
ACUAVERA, ROMEL V & ARLENE R	Residential	1	21,219	0.30	427,513	20.15
WILLIS, RUSTIN WAYNE & CRYSTAL HARDY	Residential	1	21,219	0.30	425,500	20.05
NGUYEN, NAM D	Residential	1	21,219	0.30	422,104	19.89
BECHTEL, TIMOTHY	Residential	1	21,219	0.30	413,494	19.49
PATTI, RAJESH KUMAR & MEERA	Residential	1	21,219	0.30	407,992	19.23
TRAN, STEPHEN H & THAITAM	Residential	1	21,219	0.30	407,740	19.22
All Others	Residential	326	6,917,366	96.74	97,755,624	14.13
		337	\$7,150,774	100.00%	\$102,349,001	14.31

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.

(2) Source: FY 2015/16 San Joaquin County Tax Roll, as compiled by Willdan Financial Services. For newly developed parcels for which tax roll data was unavailable, recorded transaction prices from the developer to the homeowner were used.

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Value-to-Burden Ratio

No Appraisal of Property in the CFD. The City has not commissioned an appraisal of the Taxable Parcels in Area 1 of CFD 2006-3 in connection with the issuance of the Bonds. Therefore, the valuation of the Taxable Parcels in Area 1 of CFD 2006-3 has been estimated for the purposes of this Official Statement based on the County Assessor's values. The current market value of the parcels within Area 1 of CFD 2006-3 may be less than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Value-to-Burden Ratios. In comparing the aggregate assessed value of the real property within Area 1 of CFD 2006-3 and the principal amount of the CFD Bonds for Area 1 of CFD 2006-3, 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 Area 1 of CFD 2006-3 is not allocated pro-rata among the parcels within Area 1 of CFD 2006-3; rather, the total Special Taxes have been allocated among the parcels within Area 1 of CFD 2006-3 according to the Rate and Method of Apportionment of Special Taxes for Area 1 of CFD 2006-3. The "assessed value-to-burden lien" measures the burden of Special Taxes borne by each property in Area 1 of CFD 2006-3 relative to the burden borne by other properties in Area 1 of CFD 2006-3.

The value-to-lien ratio on bonds secured by special taxes will generally vary over time as a result of changes in the value of the property that is security for the Special Taxes and the principal amount of the Area 1 of CFD 2006-3 Bonds.

Economic and other factors beyond the property owners' control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within Area 1 of CFD 2006-3. See "RISK FACTORS."

TABLE C-22
City of Stockton
Area 1 of Community Facilities District 2006-3 (Northbrook)
Value-to-Lien Categories

Value to Lien Category	No. Obligated Parcels	Total Direct & Overlapping Debt	% of Total	2015/16 Assessed Value ⁽¹⁾	% Total Assessed Value	Average Value to Lien
Greater than 20:1	5	\$ 106,095	1.48%	\$ 2,177,285	2.13%	20.5
15:1 to 19.9:1	114	2,418,956	33.83	40,688,375	39.75	16.8
10:1 to 14.9:1	202	4,286,221	59.94	56,316,826	55.02	13.1
5:1 to 9.9:1	16	339,503	4.75	3,166,515	3.09	9.3
1:1 to 4.9:1	0	0	0.00	0	0.00	n/a
Less than 1:1	0	0	0.00	0	0.00	n/a
	337	\$7,150,774	100.00%	\$102,349,001	100.00%	14.3

(1) Source: FY 2015/16 San Joaquin County Tax Roll, as compiled by Willdan Financial Services. For newly developed parcels for which tax roll data was unavailable, recorded transaction prices from the developer to the homeowner were used.

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Rate and Method; Maximum Special Taxes

The Rate and Method by which the annual Special Tax levy on Taxable Parcels in Area 1 of CFD 2006-3 is determined has no provision for any annual increases in the Maximum Special tax rates for the parcels in Area 1 of CFD 2006-3, and provides that no Special Tax shall be levied in Area 1 of CFD 2006-3 after Fiscal Year 2041-42.

The following table shows the total expected levy and total expected maximum tax on Taxable Parcels within CFD 2006-3 based on fiscal year 2015-16.

TABLE C-23
City of Stockton
Area 1 of Community Facilities District 2006-3 (Northbrook)
Total Expected Levy and Total Expected Maximum Tax ⁽¹⁾
(Fiscal Years 2016/17 to 2032/33)

Fiscal Year	Total Expected Levied	Total Expected Maximum Levied
2016/17	\$432,688.74	\$451,322.79
2017/18	441,342.51	460,349.25
2018/19	450,169.37	469,556.23
2019/20	459,172.75	478,947.36
2020/21	468,356.21	488,526.30
2021/22	477,723.33	498,296.83
2022/23	487,277.80	508,262.77
2023/24	497,023.35	518,428.02
2024/25	506,963.82	528,796.58
2025/26	517,103.10	539,372.51
2026/27	527,445.16	550,159.96
2027/28	537,994.06	561,163.16
2028/29	548,753.94	572,386.43
2029/30	559,729.02	583,834.15
2030/31	570,923.60	595,510.84
2031/32	582,342.08	607,421.05
2032/33	593,988.92	619,569.47

(1) There is a 2% inflator for the annual Maximum Special taxes authorized to be levied on Taxable Parcels in Area 1 of CFD 2006-3. The Table has been prepared based on a “% change in levy per parcel” and “levy as % on Maximum” under the Rate and Method for Area 1 of CFD 2006-3 within a plus or minus 6.5% average, using 2% inflator for expected levy and expected Maximum Tax.

Source: Willdan Financial Services

Delinquencies

The following table sets forth the historic delinquencies in the payment of Special Taxes for Area 1 of CFD 2006-3.

TABLE C-24
Stockton Public Financing Authority
City of Stockton
Area 1 of Community Facilities District 2006-3 (Northbrook)
Delinquency Summary
as of May 13, 2016

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	337	0	\$391,984.40	\$0	0.00%
2011/12	337	0	404,212.18	0	0.00
2012/13	337	0	419,075.92	0	0.00
2013/14	337	0	422,118.66	0	0.00
2014/15	337	0	399,989.08	0	0.00
2015/16 ⁽¹⁾	321	4	432,688.74	4,044	0.93

(1) Reflects the delinquent amount of the FY15/16 Special Tax as of May 13, 2016.
 Source: San Joaquin County as compiled by Willdan Financial Services

APPENDIX D

INFORMATION REGARDING THE REASSESSMENT DISTRICTS

The Acquired Obligations include the two series of Reassessment Bonds and three series of 2005 AD Bonds, each issued with respect to a separate Reassessment District formed by the City, and each payable from reassessments on property in the related Reassessment District. See “SECURITY FOR THE REASSESSMENT BONDS.” Set forth below is information regarding each of the five Reassessment Districts. Note that columns in the various tables that for the March Lane/Holman Reassessment District and the Waterford Estates Phase II Reassessment District that include Direct and Overlapping Debt are subject to change, based on the final principal amounts of the Reassessment Bonds.

MORADA RANCH ASSESMENT DISTRICT 2000-01

Location and Description of Reassessment District 2000-01

The Morada Ranch Assessment District No. 2000-01 (“Reassessment District 2000-1”) encompasses approximately 266 net acres and is located in the northeastern portion of the City immediately west of U.S. Highway 99, near Hammer Lane, at the southwest corner of Morada Lane and Hohnan Road. Hammer Lane is a major thoroughfare in the City and a business corridor in the vicinity of the Morada Ranch District. Highway 99 is one of two major north/south highways which passes through the City. Downtown Stockton is located approximately six miles to the southwest and the March Lane business corridor is located approximately three miles to the south. There are 1,077 parcels in Reassessment District 2000-1 subject to Reassessments.

Land Use Distribution

Reassessment District 2000-1 currently contains 1,077 parcels. The following table shows the distribution of land uses within Reassessment District 2000-1 as of July 10, 2015.

TABLE D-1
City of Stockton
Reassessment District 2000-1 Morada Ranch
Ownership/Land Use Distribution

Land Use Category	Number Obligated Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value
Developed Single Family	1,071	\$7,681,431	85.23%	\$258,128,667	87.50%
Commercial	3	1,265,423	14.04%	35,360,238	11.99%
Fast Food Restaurant	1	38,079	0.42	1,447,011	0.49
School District Property	1	24,609	0.27	0	0.00
Vacant Residential	1	3,328	0.04	70,978	0.02
	1,077	\$9,012,869	100.00%	\$295,006,894	100.00%

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Direct and Overlapping Indebtedness

The following table sets forth the direct and overlapping indebtedness applicable to property in Reassessment District 2000-1 as of June 1, 2016:

TABLE D-2
City of Stockton
Reassessment District 2000-1 Morada Ranch
Direct and Overlapping Indebtedness

<u>2015-16 Local Secured Assessed Valuation:</u>	\$294,866,539 (Land and Improvement)	
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/16</u>
San Joaquin Delta Community College District	0.430%	\$ 576,826
Lodi Unified School District	1.986	1,704,715
Lodi Unified School District School Facilities Improvement District No. 1	5.059	1,861,122
City of Stockton Assessment District No. 2000-01	100.000	4,283,863 ⁽¹⁾
City of Stockton Assessment District No. 2002-01	22.000	586,343
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$9,012,869</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Joaquin County Certificates of Participation	0.471%	\$ 632,443
Lodi Unified School District Certificates of Participation	1.986	514,652
City of Stockton Certificates of Participation and Pension Obligations	1.509	1,139,365
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		<u>\$2,286,460</u>
COMBINED TOTAL DEBT		\$11,299,329 ⁽²⁾

(1) Excludes refunding issue to be sold.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$4,283,863)	1.45%
Total Direct and Overlapping Tax and Assessment Debt	3.06%
Gross Combined Total Debt	3.83%

Source: California Municipal Statistics, Inc.

Top Property Owners

The following table shows the property owners responsible for the largest Reassessments in Reassessment District 2000-1, based on the Reassessment levy for fiscal year 2015-16, the direct and overlapping debt allocable to their respective parcels, the fiscal year 2015-16 County assessed values for their property and the estimated assessed value for the total direct and overlapping debt for their respective properties.

TABLE D-3
City of Stockton
Reassessment District 2000-1 Morada Ranch
2015-16 Top Property Owners (1)

Property Owner	Land Use	Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	Value to Lien
WALMART REAL ESTATE BUSINESS TR	Commercial	1	\$770,401	8.55%	\$21,819,883	28.3
LOWES HIW INC	Commercial	1	475,983	5.28	12,640,355	26.6
HARMAN MANAGEMENT CORP	Commercial	1	38,079	0.42	1,447,011	38.0
CHAIYARAT, ROSALINDA P ETAL	Residential	4	32,647	0.36	613,562	18.8
JOE T HESKETT FAMILY LP	Residential	3	24,723	0.27	843,000	34.1
LODI UNIFIED SCHOOL DISTRICT	School District Property	1	24,609	0.27	0	0.0
YADAV, INDRA & SAVITRI	Residential	3	22,282	0.25	762,667	34.2
QIAN, SIHAI & XIAOLING	Residential	2	21,244	0.24	378,821	17.8
CASTELO, FRANCES	Residential	2	19,398	0.22	557,000	28.7
JIMENEZ HOLMAN ROAD RANCH PROP	Commercial	1	19,039	0.21	900,000	47.3
Other	Residential	1,058	7,564,466	83.93	255,044,595	33.7
		1,077	\$9,012,869	100.00%	\$295,006,894	32.7

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.
Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Value-to-Burden Ratio

No Appraisal of Property in the Reassessment District. The City has not commissioned an appraisal of the Reassessment Parcels in Reassessment District 2000-1 in connection with the issuance of the Reassessment District 2000-1 Bonds. Therefore, the estimated valuation of the Reassessment Parcels in Reassessment District 2000-1 set forth in this Official Statement are based on the County Assessor's values. The current market value of the parcels within Reassessment District 2000-1 may be less than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Value-to-Burden Ratios. The assessed value-to-burden ratio on bonds secured by assessments 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 assessments and the principal amount of the bonds.

In comparing the aggregate assessed value of the real property within Reassessment District 2000-1 and the principal amount of the related 2005 AD Bonds, it should be noted that an individual Reassessment Parcel may only be foreclosed upon to pay delinquent installments of the Reassessments attributable to that Reassessment Parcel. The principal amount of the related 2005 AD Bonds is not allocated pro-rata among the Reassessment Parcels within

Reassessment District 2000-1; rather, the total Reassessments have been allocated among the Reassessment Parcels within Reassessment District 2000-1 by an assessment engineer.

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 Reassessment Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within Reassessment District 2000-1. See "RISK FACTORS."

TABLE D-4
Stockton Public Financing Authority
City of Stockton
Reassessment District 2000-1 Morada Ranch
Value-to-Lien Categories

Value to Lien Category	No. Obligated Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value	Average Value to Lien
Greater than 20:1	988	\$8,103,981	89.92%	\$279,380,485	94.70%	34.5
15:1 to 19.9:1	81	812,576	9.02	14,574,053	4.94	17.9
10:1 to 14.9:1	7	71,704	0.80	1,052,356	0.36	14.7
5:1 to 9.9:1	0	0	0.00	0	0.00	n/a
1:1 to 4.9:1	0	0	0.00	0	0.00	n/a
Less than 1:1 ⁽¹⁾	1	24,609	0.27	0	0.00	0.0
	1077	\$9,012,869	100.00%	\$295,006,894	100.00%	32.7

(1) County Assessor's Parcel Number 126-040-46 is owned by the Lodi Unified School District. Due to public ownership, the San Joaquin County Assessor has not assigned an assessed value to this parcel.
 Source: Willdan Financial Services and California Municipal Statistics, Inc.

Delinquencies

The following table sets forth the historic delinquencies in the payment of Reassessments for Reassessment District 2000-1.

TABLE D-5
Stockton Public Financing Authority
City of Stockton
Reassessment District 2000-1 Morada Ranch
Delinquency Summary
as of May 13, 2016

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	1,077	2	\$545,873.06	\$515	0.09%
2011/12	1,077	1	527,724.74	444	0.08
2012/13	1,077	1	540,558.38	224	0.04
2013/14	1,077	0	550,190.22	0	0.00
2014/15	1,077	3	537,497.20	1,047	0.19
2015/16 ⁽¹⁾	1,077	23	545,746.94	8,623	1.58

(1) Reflects the delinquent amount of the FY 15/16 Reassessment levy as of May 13, 2016.
 Source: San Joaquin County as compiled by Willdan Financial Services

MORADA NORTH ASSESSMENT DISTRICT 2002-01

Location and Description of Reassessment District 2002-1

The Morada North Assessment District No. 2002-01 (“Reassessment District 2002-1”) encompasses 143 net acres and is located approximately in the northeastern portion of the City, west of U.S. Highway 99 near Hammer Lane. Downtown Stockton is located approximately six miles to the southwest and the March Lane business corridor is located approximately three miles to the south of Reassessment District 2002-1. There are 587 parcels within Reassessment District 2002-1.

Land Use Distribution

Reassessment District 2002-1 currently contains 587 parcels. The following table shows the distribution of land uses within Assessment District 2002-1 as of July 10, 2015.

**TABLE D-6
City of Stockton
Reassessment District 2002-1 Morada North
Ownership/Land Use Distribution**

<u>Land Use Category</u>	<u>Number Obligated Parcels</u>	<u>Total Direct and Overlapping Debt</u>	<u>% of Total</u>	<u>2015/16 Assessed Value</u>	<u>% Total Assessed Value</u>
Developed Single Family	586	\$5,109,618	99.87%	\$154,622,641	99.95%
Vacant Residential	1	6,825	0.13	70,978	0.05
	<u>587</u>	<u>\$5,116,443</u>	<u>100.00%</u>	<u>\$154,693,619</u>	<u>100.00%</u>

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Direct and Overlapping Indebtedness

The following table sets forth the direct and overlapping indebtedness applicable to property in Reassessment District 2002-1 as of June 1, 2016:

TABLE D-7
City of Stockton
Reassessment District 2002-1 Morada North
Direct and Overlapping Indebtedness

<u>2015-16 Local Secured Assessed Valuation:</u>	\$154,693,619		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 6/1/16</u>
San Joaquin Delta Community College District		0.224%	\$ 300,589
Lodi Unified School District		1.035	888,342
Lodi Unified School District School Facilities Improvement District No. 1		2.637	969,847
City of Stockton Assessment District No. 2000-1		6.826	292,413
City of Stockton Assessment District No. 2002-1		100.000	<u>2,665,252⁽¹⁾</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$5,116,443</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation		0.245%	\$ 329,571
Lodi Unified School District Certificates of Participation		1.035	268,189
City of Stockton Certificates of Participation and Pension Obligations		0.786	<u>593,733</u>
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$1,191,493</u>
COMBINED TOTAL DEBT			<u>\$6,307,936⁽²⁾</u>

(1) Excludes refunding issue to be sold.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$2,665,252)	1.72%
Total Direct and Overlapping Tax and Assessment Debt	3.31%
Combined Total Debt	4.08%

Source: California Municipal Statistics, Inc.

Top Property Owners

The following table shows the property owners responsible for the largest Reassessments in Reassessment District 2002-1, based on the Reassessment levy for fiscal year 2015-16, the direct and overlapping debt allocable to their respective parcels, the fiscal year 2015-16 County assessed values for their property and the estimated assessed value for the total direct and overlapping debt for their respective properties.

TABLE D-8
City of Stockton
Reassessment District 2002-1 Morada North
2015-16 Top Property Owners⁽¹⁾

Property Owner	Land Use	Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	Value to Lien
SAR, VANNAK & KIM	Residential	2	\$21,195	0.41%	\$610,423	28.8
THACH, TERRY C & KRISTY D	Residential	2	21,195	0.41	596,432	28.1
EIGHT DIGITS LLC	Residential	2	21,195	0.41	541,088	25.5
THADWAL, CHARANJIT KAUR	Residential	2	21,195	0.41	499,791	23.6
K & E BERGAMO LLC	Residential	2	17,422	0.34	442,023	25.4
ARELLANO, GONZALO JR	Residential	2	17,422	0.34	396,809	22.8
AHMAD, SHAFIQ	Residential	2	17,024	0.33	482,859	28.4
READ, DEBORAH J TR	Residential	2	13,649	0.27	504,000	36.9
NARCISCO, WILLIAM Y & AMY M	Residential	1	10,598	0.21	409,111	38.6
THACH, TUNG T & NINA	Residential	1	10,598	0.21	409,000	38.6
All Others	Residential and Vacant Residential	569	4,944,948	96.65	149,802,083	30.3
		587	\$5,116,443	100.00%	\$154,693,619	30.2

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.
Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Value-to-Burden Ratio

No Appraisal of Property in the Reassessment District. The City has not commissioned an appraisal of the Reassessment Parcels in Reassessment District 2002-1 in connection with the issuance of the Reassessment District 2002-1 Bonds. Therefore, the estimated valuation of the Reassessment Parcels in Reassessment District 2002-1 set forth in this Official Statement are based on the County Assessor's values. The current market value of the parcels within Reassessment District 2002-1 may be less than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Value-to-Burden Ratios. The assessed value-to-burden ratio on bonds secured by assessments 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 assessments and the principal amount of the bonds.

In comparing the aggregate assessed value of the real property within Reassessment District 2002-1 and the principal amount of the related 2005 AD Bonds, it should be noted that an individual Reassessment Parcel may only be foreclosed upon to pay delinquent installments of the Reassessments attributable to that Reassessment Parcel. The principal amount of the related 2005 AD Bonds is not allocated pro-rata among the Reassessment Parcels within

Reassessment District 2002-1; rather, the total Reassessments have been allocated among the Reassessment Parcels within Reassessment District 2002-1 by an assessment engineer.

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 Reassessment Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within Reassessment District 2002-1. See "RISK FACTORS."

TABLE D-9
City of Stockton
Reassessment District 2002-1 Morada North
Value-to-Lien Categories

Value to Lien Category	No. Obligated Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value	Average Value to Lien
Greater than 20:1	547	\$4,700,081	91.86%	\$147,348,090	95.25%	31.4
15:1 to 19.9:1	37	392,116	7.66	7,045,978	4.55	18.0
10:1 to 14.9:1	3	24,247	0.47	299,551	0.19	12.4
5:1 to 9.9:1	0	0	0.00	0	0.00	n/a
1:1 to 4.9:1	0	0	0.00	0	0.00	n/a
Less than 1:1	0	0	0.00	0	0.00	n/a
	587	\$5,116,443	100.00%	\$154,693,619	100.00%	30.2

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Delinquencies

The following table sets forth the historic delinquencies in the payment of Reassessments for Reassessment District 2002-1.

TABLE D-10
Stockton Public Financing Authority
City of Stockton
Reassessment District 2002-1 Morada North
Delinquency Summary
as of May 13, 2016

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	587	1	\$333,959.36	\$687	0.21%
2011/12	587	0	320,364.70	0	0.00
2012/13	587	1	331,873.14	352	0.11
2013/14	587	1	335,257.82	213	0.06
2014/15	587	2	232,719.52	594	0.26
2015/16 ⁽¹⁾	587	8	285,305.98	2,783	0.98

(1) Reflects the delinquent amount of the FY 15/16 Reassessment levy as of May 13, 2016.
Source: San Joaquin County as compiled by Willdan Financial Services

WATERFORD ESTATES EAST ASSESSMENT DISTRICT PROJECT NO. 2002-03

Location and Description of Reassessment District 2002-3

The Waterford Estates East Assessment District Project No. 2002-03 (“Reassessment District 2002-3”) encompasses approximately 59 net acres and is located south of Eight Mile Road, along the south line of Eight Mile Road and the west line of Davis Road, east of Thornton Road. Eight Mile Road is a main roadway through the area, providing immediately access to Interstate 5 to the west and direct access to State Highway 99, approximately four miles to the east.

Land Use Distribution

Reassessment District 2002-3 currently contains 245 parcels. The following table shows the distribution of land uses within Reassessment District 2002-3 as of July 10, 2015.

**TABLE D-11
City of Stockton
Reassessment District 2002-3 Waterford Estates East
Ownership/Land Use Distribution**

<u>Land Use Category</u>	<u>Number Obligated Parcels</u>	<u>Total Direct and Overlapping Debt</u>	<u>% of Total</u>	<u>2015/16 Assessed Value</u>	<u>% Total Assessed Value</u>
Developed Single Family	245	\$4,128,846	100.00%	\$78,061,297	100.00%
	245	\$4,128,846	100.00%	\$78,061,297	100.00%

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Direct and Overlapping Indebtedness

The following table sets forth the direct and overlapping indebtedness applicable to property in Reassessment District 2002-3 as of June 1, 2016:

TABLE D-12
City of Stockton
Reassessment District 2002-3 Waterford Estates East
Direct and Overlapping Indebtedness

2015-16 Local Secured Assessed Valuation:	\$78,061,297		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 6/1/16</u>
San Joaquin Delta Community College District		0.113%	\$ 151,747
Lodi Unified School District		0.522	448,464
Lodi Unified School District School Facilities Improvement District No. 1		1.331	489,610
City of Stockton Assessment District No. 2002-03		100.000	3,039,025 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$4,128,846</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation		0.124%	\$166,378
Lodi Unified School District Certificates of Participation		0.522	135,391
City of Stockton Certificates of Participation and Pension Obligations		0.397	299,736
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$601,505</u>
COMBINED TOTAL DEBT			<u>\$4,730,351⁽²⁾</u>

(1) Excludes refunding issue to be sold.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$3,039,025)	3.89%
Total Direct and Overlapping Tax and Assessment Debt	5.29%
Combined Total Debt	6.06%

Source: California Municipal Statistics, Inc.

Top Property Owners

The following table shows the property owners responsible for the largest Reassessments in Reassessment District 2002-3, based on the Reassessment levy for fiscal year 2015-16, the direct and overlapping debt allocable to their respective parcels, the fiscal year 2015-16 County assessed values for their property and the estimated assessed value for the total direct and overlapping debt for their respective properties.

TABLE D-13
City of Stockton
Reassessment District 2002-3 Waterford Estates East
2015-16 Top Property Owners⁽¹⁾

Property Owner	Land Use	Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	Value to Lien
CHIMA, GURSHARAN S & PARVEEN TR	Residential	1	\$22,283	0.54%	\$441,000	19.8
MALLORY, ALLAN ETAL	Residential	1	22,283	0.54	428,000	19.2
GREWAL, LAKHMIR ETAL	Residential	1	22,283	0.54	420,000	18.8
PREAP, RONNIE & SOPHIE	Residential	1	22,283	0.54	407,000	18.3
LOW, BARK HONG & YING YI YANG TR	Residential	1	22,283	0.54	404,000	18.1
SMITH, EARL & ANGELA	Residential	1	22,283	0.54	403,000	18.1
CHEN, JOE J B & MAGGIE	Residential	1	22,283	0.54	403,000	18.1
CASTRENCE, CAS ETAL	Residential	1	22,283	0.54	401,000	18.0
GOSWAMI, SANJEEV K & PINKI L TR	Residential	1	22,283	0.54	401,000	18.0
TRAN, BAOHAN N	Residential	1	22,283	0.54	401,000	18.0
All Others	Residential	235	3,906,012	94.60	73,952,297	18.9
		245	\$4,128,846	100.00%	\$78,061,297	18.9

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.
Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Value-to-Burden Ratio

No Appraisal of Property in the Reassessment District. The City has not commissioned an appraisal of the Reassessment Parcels in Reassessment District 2002-3 in connection with the issuance of the Reassessment District 2002-3 Bonds. Therefore, the estimated valuation of the Reassessment Parcels in Reassessment District 2002-3 set forth in this Official Statement are based on the County Assessor's values. The current market value of the parcels within Reassessment District 2002-3 may be less than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Value-to-Burden Ratios. The assessed value-to-burden ratio on bonds secured by assessments 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 assessments and the principal amount of the bonds.

In comparing the aggregate assessed value of the real property within Reassessment District 2002-3 and the principal amount of the related 2005 AD Bonds, it should be noted that an individual Reassessment Parcel may only be foreclosed upon to pay delinquent installments of the Reassessments attributable to that Reassessment Parcel. The principal amount of the related 2005 AD Bonds is not allocated pro-rata among the Reassessment Parcels within Reassessment District 2002-3; rather, the total Reassessments have been allocated among the Reassessment Parcels within Reassessment District 2002-3 by an assessment engineer.

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 Reassessment Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within Reassessment District 2002-3. See "RISK FACTORS."

**TABLE D-14
City of Stockton
Reassessment District 2002-3 Waterford Estates East
Value-to-Lien Categories**

Value to Lien Category	No. Obligated Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value	Average Value to Lien
Greater than 20:1	92	\$1,143,880	27.70%	\$28,166,792	36.08%	24.6
15:1 to 19.9:1	129	2,487,585	60.25	43,244,371	55.40	17.4
10:1 to 14.9:1	24	497,381	12.05	6,650,134	8.52	13.4
5:1 to 9.9:1	0	0	0.00	0	0.00	n/a
1:1 to 4.9:1	0	0	0.00	0	0.00	n/a
Less than 1:1	0	0	0.00	0	0.00	n/a
	245	\$4,128,846	100.00%	\$78,061,297	100.00%	18.9

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Delinquencies

The following table sets forth the historic delinquencies in the payment of Reassessments for Reassessment District 2002-3.

**TABLE D-15
Stockton Public Financing Authority
City of Stockton
Reassessment District 2002-3 Waterford Estates East
Delinquency Summary
as of May 13, 2016**

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	245	0	\$291,673.76	\$0	0.00%
2011/12	245	0	287,316.00	0	0.00
2012/13	245	0	293,134.58	0	0.00
2013/14	245	0	293,090.62	0	0.00
2014/15	245	0	242,764.68	0	0.00
2015/16 ⁽¹⁾	245	3	242,262.58	1,904	0.79

(1) Reflects the delinquent amount of the FY 15/16 Reassessment levy as of May 13, 2016.

Source: San Joaquin County as compiled by Willdan Financial Services

MARCH LANE/HOLMAN REASSESSMENT DISTRICT NO. 2016-1

Location and Description of Reassessment District 2016-1

The March Lane/Holman Reassessment District 2016-1 (“March/Holman Reassessment District 2016-1”) is located along Holman Road, south of Hammer Lane and north of Wilson Way. March/Holman Reassessment District 2016-1 is on the east side of Highway 99 and has good access to the highway. Holman Road, a major City thoroughfare, was extended as part of the development. March Lane, connecting Highway 99 and Interstate 5, is also a major thoroughfare in the City and has been extended through the project. March/Holman Reassessment District 2016-1 contains approximately 76 gross acres of generally level land with 295 single-family residential lots subject to Reassessments.

Land Use Distribution

March/Holman Reassessment District 2016-1 currently contains 295 parcels. The following table shows the distribution of land uses within March/Holman Reassessment District 2016-1 as of July 10, 2015.

**TABLE D-16
City of Stockton
March/Holman Reassessment District 2016-1
Ownership/Land Use Distribution**

Land Use Category	Number Obligated Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value
Developed Single Family	295	\$5,126,079	100.00%	\$75,033,424	100.00%
	295	\$5,126,079	100.00%	\$75,033,424	100.00%

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Direct and Overlapping Indebtedness

The following table sets forth the direct and overlapping indebtedness applicable to property in March/Holman Reassessment District 2016-1 as of June 1, 2016:

TABLE D-17
City of Stockton
March/Holman Reassessment District 2016-1
Direct and Overlapping Indebtedness

2015-16 Local Secured Assessed Valuation:	\$75,033,424		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 6/1/16</u>
San Joaquin Delta Community College District General Obligation Bonds		0.108%	\$ 145,482
Stockton Unified School District General Obligation Bonds		0.657	2,535,597
City of Stockton Assessment District No. 2003-1		100.000	<u>2,445,000⁽¹⁾</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$5,126,079</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation		0.119%	\$159,510
Stockton Unified School District Certificates of Participation		0.657	258,003
City of Stockton General Fund and Pension Obligations		0.381	287,362
TOTAL OVERLAPPING GENERAL FUND DEBT			\$704,875
COMBINED TOTAL DEBT			\$5,830,954 ⁽²⁾

(1) Excludes refunding bonds to be sold.

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

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$2,445,000)	3.26%
Total Direct and Overlapping Tax and Assessment Debt	6.83%
Combined Total Debt	7.77%

Source: California Municipal Statistics, Inc.

Top Property Owners

The following table shows the property owners responsible for the largest Reassessments in March/Holman Reassessment District 2016-1, based on the Reassessment levy for fiscal year 2015-16, the direct and overlapping debt allocable to their respective parcels, the fiscal year 2015-16 County assessed values for their property and the estimated assessed value for the total direct and overlapping debt for their respective properties.

TABLE D-18
City of Stockton
March/Holman Reassessment District 2016-1
2015-16 Top Property Owners⁽¹⁾

Property Owner	Land Use	Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	Value to Lien
SINGH, HARPAL & ASHVINDAR	Residential	3	\$ 52,130	1.02%	\$ 874,000	16.8
CHEN, FUEI ING	Residential	2	34,753	0.68	566,758	16.3
DREAM FLY LLC	Residential	2	34,753	0.68	377,490	10.9
IEREMIA, ROY B & PUAOLELE L	Residential	1	17,377	0.34	358,977	20.7
RUFON, JEAN	Residential	1	17,377	0.34	332,152	19.1
SINGH, RAKESH & AMARJOT	Residential	1	17,377	0.34	332,000	19.1
CHAVEZ, CHRISTOPHER J & ESTELLA A	Residential	1	17,377	0.34	330,000	19.0
LE, JAMES V	Residential	1	17,377	0.34	329,184	18.9
DURAN, JUAN A & ROSA A	Residential	1	17,377	0.34	326,000	18.8
BUNTON, MICHAEL A & ELOIS	Residential	1	17,377	0.34	325,000	18.7
Other	Residential	281	4,882,807	95.25	70,881,863	14.5
		295	\$5,126,079	100.00%	\$75,033,424	14.6

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.
Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Value-to-Burden Ratio

No Appraisal of Property in the Reassessment District. The City has not commissioned an appraisal of the Reassessment Parcels in March/Holman Reassessment District 2016-1 in connection with the issuance of the Reassessment Bonds. Therefore, the estimated valuation of the Reassessment Parcels in March/Holman Reassessment District 2016-1 set forth in this Official Statement are based on the County Assessor's values. The current market value of the parcels within March/Holman Reassessment District 2016-1 may be less than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Value-to-Burden Ratios. The assessed value-to-burden ratio on bonds secured by assessments 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 assessments and the principal amount of the bonds.

In comparing the aggregate assessed value of the real property within March/Holman Reassessment District 2016-1 and the principal amount of the related Reassessment Bonds, it should be noted that an individual Reassessment Parcel may only be foreclosed upon to pay delinquent installments of the Reassessments attributable to that Reassessment Parcel. The principal amount of the March/Holman Reassessment District 2016-1 Bonds is not allocated pro-rata among the Reassessment Parcels within March/Holman Reassessment District 2016-1; rather, the total Reassessments have been allocated among the Reassessment Parcels within March/Holman Reassessment District 2016-1 by an assessment engineer.

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 Reassessment Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within March/Holman Reassessment District 2016-1. See "RISK FACTORS."

TABLE D-19
Stockton Public Financing Authority
City of Stockton
March/Holman Reassessment District 2016-1
Value-to-Lien Categories

Value to Lien Category	No. Obligated Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value	Average Value to Lien
Greater than 20:1	1	\$ 17,377	0.34%	\$ 358,977	0.48%	20.7
15:1 to 19.9:1	142	2,467,469	48.14	41,924,284	55.87	17.0
10:1 to 14.9:1	149	2,589,104	50.51	32,247,487	42.98	12.5
5:1 to 9.9:1	3	52,130	1.02	502,676	0.67	9.6
1:1 to 4.9:1	0	0	0.00	0	0.00	n/a
Less than 1:1	0	0	0.00	0	0.00	n/a
	295	\$5,126,079	100.00%	\$75,033,424	100.00%	14.6

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Delinquencies

The following table sets forth the historic delinquencies in the payment of Reassessments for the March/Holman Reassessment District 2016-1.

TABLE D-20
Stockton Public Financing Authority
City of Stockton
March/Holman Reassessment District 2016-1
Delinquency Summary
as of May 13, 2016

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	295	0	\$231,019.14	\$0	0.00%
2011/12	295	0	226,682.12	0	0.00
2012/13	295	0	230,204.18	0	0.00
2013/14	295	0	234,371.52	0	0.00
2014/15	295	0	228,652.32	0	0.00
2015/16 ⁽¹⁾	295	2	230,223.90	1,171	0.51

(1) Reflects the delinquent amount of the FY 15/16 Reassessment levy as of May 13, 2016.
Source: San Joaquin County as compiled by Willdan Financial Services

WATERFORD ESTATES EAST PHASE II REASSESSMENT DISTRICT NO. 2016-2

Location and Description of Waterford Reassessment District 2016-2

The Waterford Estates East Phase II Reassessment District No. 2016-2 (“Waterford Reassessment District 2016-2”) is situated south of Eight Mile Road, along the south line of Eight Mile Road and the west line of Davis Road, just east of Thornton Road. Waterford Reassessment District 2016-2 is accessible from Eight Mile Road and Davis Road. Eight Mile Road is a main roadway through the area, providing immediate access to Interstate 5 to the west and direct access to State Highway 99, approximately four miles to the east. Waterford Reassessment District 2016-2 also is accessible from the Waterford Estates West project, which adjoins the property at the southwest boundary line. Waterford Reassessment District 2016-1 is in close proximity to the Spanos Park master planned community in the northwestern area of the City. The neighborhood is located approximately 40 miles south of Sacramento, about 60 miles east of San Francisco, and about 70 miles southwest of Lake Tahoe.

Land Use Distribution

Waterford Reassessment District 2016-2 currently contains 210 parcels. The following table shows the distribution of land uses within the Reassessment District as of July 10, 2015.

**TABLE D-21
City of Stockton
Waterford Reassessment District 2016-2
Ownership/Land Use Distribution**

<u>Land Use Category</u>	<u>Number Obligated Parcels</u>	<u>Total Direct and Overlapping Debt</u>	<u>% of Total</u>	<u>2015/16 Assessed Value</u>	<u>% Total Assessed Value</u>
Developed Single Family	210	\$3,520,647	100.00%	\$66,909,649	100.00%
	210	\$3,520,647	100.00%	\$66,909,649	100.00%

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Direct and Overlapping Indebtedness

The following table sets forth the direct and overlapping indebtedness applicable to property in Waterford Reassessment District 2016-2 as of June 1, 2016:

TABLE D-22
City of Stockton
Waterford Reassessment District 2016-2
Direct and Overlapping Indebtedness

2015-16 Local Secured Assessed Valuation:	\$66,909,649		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 6/1/16</u>
San Joaquin Delta Community College District General Obligation Bonds		0.097%	\$ 130,280
Lodi Unified School District General Obligation Bonds		0.449	385,021
Lodi Unified School District SFID No. 1 General Obligation Bonds		1.143	420,346
City of Stockton Assessment District No. 2003-03		100.000	<u>2,585,000⁽¹⁾</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$3,520,647</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation		0.106%	\$142,841
Lodi Unified School District Certificates of Participation		0.449	116,237
City of Stockton General Fund and Pension Obligations		0.341	<u>257,333</u>
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$516,411</u>
COMBINED TOTAL DEBT			<u>\$4,037,058⁽²⁾</u>

(1) Excludes refunding bonds to be sold.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$2,585,000)	3.86%
Total Direct and Overlapping Tax and Assessment Debt	5.26%
Combined Total Debt	6.03%

Source: California Municipal Statistics, Inc.

Top Property Owners

The following table shows the property owners responsible for the largest Reassessments in Waterford Reassessment District 2016-2, based on the Reassessment levy for fiscal year 2015-16, the direct and overlapping debt allocable to their respective parcels, the fiscal year 2015-16 County assessed values for their property and the estimated assessed value for the total direct and overlapping debt for their respective properties.

TABLE D-23
City of Stockton
Waterford Reassessment District 2016-2
2015-16 Top Property Owners⁽¹⁾

Property Owner	Land Use	Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	Value to Lien
GUPTA, RAM NARAYAN & MAMTA TR	Residential	2	\$ 33,530	0.95%	\$ 496,441	14.8
H DEOL PROPERTIES LLC	Residential	1	16,765	0.48	729,020	43.5
PENA, PETRA FLORES	Residential	1	16,765	0.48	449,000	26.8
PANG, VITH	Residential	1	16,765	0.48	429,000	25.6
VANG, YEE	Residential	1	16,765	0.48	427,372	25.5
NAVARRO, RAMON E JR & TRICIA M	Residential	1	16,765	0.48	418,000	24.9
PAUL, JAMES W & NORENE	Residential	1	16,765	0.48	418,000	24.9
NGUYEN, LONG SON & THUY	Residential	1	16,765	0.48	417,000	24.9
SAINI, RAJESH K & SHARDA	Residential	1	16,765	0.48	416,000	24.8
GARCHA, JASPAL & BALJINDER	Residential	1	16,765	0.48	415,000	24.8
All Others	Residential	199	3,336,232	94.76	62,294,816	18.7
		210	\$3,520,647	100.00%	\$66,909,649	19.0

(1) Top property owners are ranked based on lien amounts, then by assessed values greatest to least.
Source: Willdan Financial Services and California Municipal Statistics, Inc.

Assessed Value-to-Burden Ratio

No Appraisal of Property in the Reassessment District. The City has not commissioned an appraisal of the Reassessment Parcels in the Waterford Reassessment District 2016-2 in connection with the issuance of the Reassessment Bonds. Therefore, the estimated valuation of the Reassessment Parcels in the Waterford Reassessment District 2016-2 set forth in this Official Statement are based on the County Assessor's values. The current market value of the parcels within the Waterford Reassessment District 2016-2 may be less than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Value-to-Burden Ratios. The assessed value-to-burden ratio on bonds secured by assessments 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 assessments and the principal amount of the bonds.

In comparing the aggregate assessed value of the real property within the Waterford Reassessment District 2016-2 and the principal amount of the related Reassessment Bonds, it should be noted that an individual Reassessment Parcel may only be foreclosed upon to pay delinquent installments of the Reassessments attributable to that Reassessment Parcel. The principal amount of the related Reassessment Bonds is not allocated pro-rata among the Reassessment Parcels within the Waterford Reassessment District 2016-2; rather, the total Reassessments have been allocated among the Reassessment Parcels within the Waterford Reassessment District 2016-2 by an assessment engineer.

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 Reassessment Parcels caused by, among other possible events, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the Waterford Reassessment District 2016-2. See "RISK FACTORS."

**TABLE D-24
City of Stockton
Waterford Reassessment District 2016-2
Value-to-Lien Categories**

Value to Lien Category	No. Obligated Parcels	Total Direct and Overlapping Debt	% of Total	2015/16 Assessed Value	% Total Assessed Value	Average Value to Lien
Greater than 20:1	87	\$1,458,554	41.43%	\$32,947,056	49.24%	22.6
15:1 to 19.9:1	92	1,542,379	43.81	27,114,886	40.52	17.6
10:1 to 14.9:1	30	502,950	14.29	6,684,759	9.99	13.3
5:1 to 9.9:1	1	16,765	0.48	162,948	0.24	n/a
1:1 to 4.9:1	0	0	0.00	0	0.00	n/a
Less than 1:1	0	0	0.00	0	0.00	n/a
	210	\$3,520,647	100.00%	\$66,909,649	100.00%	19.0

Source: Willdan Financial Services and California Municipal Statistics, Inc.

Delinquencies

The following table sets forth the historic delinquencies in the payment of Reassessments for the Waterford Reassessment District 2016-2.

**TABLE D-25
Stockton Public Financing Authority
City of Stockton
Waterford Reassessment District 2016-2
Delinquency Summary
as of May 13, 2016**

Fiscal Year	Total Parcels Levied	Parcels Remaining Delinquent	Total Amount Levied	Total Amount Delinquent	Percentage of Amount Levied Which is Delinquent
2010/11	210	0	\$242,266.92	\$0	0.00%
2011/12	210	0	239,759.88	0	0.00
2012/13	210	0	246,267.72	0	0.00
2013/14	210	0	244,745.44	0	0.00
2014/15	210	0	243,961.20	0	0.00
2015/16 ⁽¹⁾	210	1	244,977.60	1,167	0.48

(1) Reflects the delinquent amount of the FY 15/16 Reassessment levy as of May 13, 2016.

Source: San Joaquin County as compiled by Willdan Financial Services

APPENDIX E

FORM OF BOND COUNSEL OPINION

August __, 2016

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

OPINION: \$_____ Stockton Public Financing Authority Revenue Bonds
(Assessment and Special Tax District Refundings) Series 2016A

Members of the Authority:

We have acted as bond counsel to the Stockton Public Financing Authority (the "Authority") in connection with the delivery by the Authority of the above-referenced bonds (the "Bonds"), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"), and pursuant to an Indenture of Trust dated as of August 1, 2016 (the "Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee. We have examined the Bond Law, an executed copy of the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

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

1. The Authority is a public agency duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

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

3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. Pursuant to the Bond Law, the Indenture establishes a valid lien on and pledge of the Revenues (as such term is defined in the Indenture) for the security of the Bonds.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax

imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City of Stockton comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

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. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Stockton, California (the "City") in connection with the issuance of \$_____ aggregate principal amount of Stockton Public Financing Authority Revenue Bonds (Assessment and Special Tax District Refundings) Series 2016A (the "2016 Bonds"). The 2016 Bonds were issued pursuant to an Indenture of Trust, dated as of August 1, 2016 (the "Indenture"), between the Stockton Public Financing Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the 2016 Bonds and to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"Beneficial Owner" means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2016 Bond (including persons holding any 2016 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2016 Bond for federal income tax purposes.

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

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

"Fiscal Year" means, with respect to the City, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period thereafter by the City as its Fiscal Year with notice of such selection of change in fiscal year to be provided as set forth herein.

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

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" means the Official Statement, dated July __, 2016, with respect to the 2016 Bonds.

"Participating Underwriters" means RBC Capital Markets and Hilltop Securities, as the original underwriters of the 2016 Bonds required to comply with the Rule in connection with offering of the 2016 Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the March 31 following the end of the City’s Fiscal Year (presently June 30), commencing with the report for the 2015-16 Fiscal Year, provide to the MSRB through EMMA, in an electronic format and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements described in Section 4 may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if the audited financial statements are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

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

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

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

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

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

SECTION 4. Content of Annual Reports. It is acknowledged that the Closing Date for the 2016 Bonds occurred after the end of the 2015-2016 fiscal year of the Authority. In light of the foregoing, submission of the Official Statement shall satisfy the Authority’s obligation to file an Annual Report for fiscal year 2015-2016.

The Annual Report for each fiscal year commencing with the Annual Report for the 2016-2017 fiscal year, shall contain or incorporate by reference the following:

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

(b) The following additional information:

(i) A maturity schedule for the outstanding 2016 Bonds, and a listing of 2016 Bonds, if any, redeemed prior to maturity during the prior Fiscal Year.

(ii) Total deposits to the Revenue Fund for the prior Fiscal Year, together with a statement of the debt service requirement for the 2016 Bonds discharged by the Revenue Fund in the prior Fiscal Year.

(iii) The balance in the Reserve Fund as of the end of the prior Fiscal Year, together with a statement as to the Reserve Requirement as of such Fiscal Year end, and the name(s) of the provider(s) of any Qualified Reserve Fund Credit Instrument(s) held for the benefit of the Reserve Fund and the amount available to be drawn on any Reserve Fund Credit Instrument(s) as of the end of such Fiscal Year.

(iv) Tables indicating the Reassessment levy, amount collected, delinquent amount and percent of Reassessment levy delinquent for the most recent Fiscal Year for each individual Reassessment District; but such information need not be provided for any Reassessment District that did not have any outstanding Reassessment Bonds during such Fiscal Year.

(v) The aggregate assessed value of the properties in each individual Reassessment District for the most recent Fiscal Year; but such information need not be provided for any Reassessment District that did not have any outstanding Reassessment Bonds during such Fiscal Year.

(vi) Tables indicating the levy of Special Taxes, amount collected, delinquent amount and percent of Special Tax levy delinquent for the most recent Fiscal Year for each individual Community Facilities District; but such information need not be provided for any Community Facilities District that did not have any outstanding CFD Bonds during such Fiscal Year.

(vii) The aggregate assessed value of the properties in each individual Community Facilities District for the most recent Fiscal Year; but such information need not be provided for any Community Facilities District that did not have any outstanding CFD Bonds during such Fiscal Year.

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

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

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities that are available to the public from the MSRB's internet website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference; provided that, if any document incorporated by reference is a final official statement, it must be available from the MSRB.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2016 Bonds not later than ten (10) business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the 2016 Bonds or other material events adversely affecting the tax status of the 2016 Bonds;
- (6) modifications to rights of Owners, if material;
- (7) substitution of credit or liquidity providers, or their failure to perform;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the 2016 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of

- a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

For the purpose of the event identified in Section 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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

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

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

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

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

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

SECTION 6. Termination of Reporting Obligation. The obligations under this Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the 2016 Bonds or (b) if, in the opinion of nationally recognized bond counsel, the City

ceases to be an “obligated person” (within the meaning of the Rule) with respect to the 2016 Bonds or the 2016 Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the 2016 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. Any Dissemination Agent designated by the City may resign by providing thirty (30) days’ written notice to the City. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with the schedule of fees agreed upon by the City, as amended from time to time, and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2016 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally-recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2016 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or

including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties under this Disclosure Certificate as are specifically set forth in this Disclosure Certificate, and the City, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2016 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the 2016 Bonds, and shall create no rights in any other person or entity.

Date: August __, 2016.

CITY OF STOCKTON, CALIFORNIA

By _____
Chief Financial Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: City of Stockton, California
Name of Issue: Stockton Public Financing Authority Revenue Bonds
(Assessment and Special Tax District Refundings) Series 2016A
Date of Issuance: August __, 2016

NOTICE IS HEREBY GIVEN that the City of Stockton, California has not provided an Annual Report with respect to the above-named 2016 Bonds as required by the Continuing Disclosure Certificate, dated August __, 2016, relating to the 2016 Bonds. [The City anticipates that the Annual Report will be filed by _____.]

Date: _____

CITY OF STOCKTON, CALIFORNIA

By: _____
Name: _____
Title: _____

APPENDIX G

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized

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

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

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

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

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