NEW ISSUE **NOT RATED**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2019A 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. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS – Tax Exemption."

$19,865,000
IMPROVEMENT AREA B OF THE CITY OF FAIRFIELD COMMUNITY FACILITIES DISTRICT NO. 2016-1 (VILLAGES AT FAIRFIELD) SPECIAL TAX BONDS, SERIES 2019A

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

Authority for Issuance. The bonds captioned above (the "2019A Bonds") are being issued by the City of Fairfield (the "City") for and on behalf of the "City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)" (the "District") with respect to its "Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)" ("Improvement Area B"). The 2019A Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), the Resolution of Issuance (as defined herein), and a Fiscal Agent Agreement dated as of August 1, 2019, (the "Fiscal Agent Agreement"), by and between the City, for and on behalf of the District, and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The City Council of the City, acting as legislative body of the District, has authorized the issuance of the 2019A Bonds in an aggregate principal amount not to exceed $19,865,000. See "THE 2019A BONDS – Authority for Issuance."

Security and Sources of Payment. The 2019A Bonds are payable from proceeds of Special Tax Revenues (as defined herein) levied on property within Improvement Area B according to the rate and method of apportionment of special tax approved by the City Council and the eligible landowner voters in Improvement Area B of the District. The 2019A Bonds are secured by a first pledge of all of the Special Tax Revenues and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement, on a parity with bonds that may be issued in the future, subject to the conditions set forth in the Fiscal Agent Agreement. See "SECURITY FOR THE 2019A BONDS."

Use of Proceeds. The 2019A Bonds are being issued to (i) finance the acquisition and construction of certain facilities and improvements to be owned and operated by the City, (ii) fund a debt service reserve fund for the 2019A Bonds, and (iii) pay the costs of issuing the 2019A Bonds. See "FINANCING PLAN."

Bond Terms. Interest on the 2019A Bonds is payable on March 1, 2020, and semiannually thereafter on each March 1 and September 1. The 2019A Bonds will be issued in integral multiples of $5,000. The 2019A Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2019A Bonds. See "THE 2019A BONDS – General Bond Terms" and "APPENDIX D – DTC and the Book-Entry Only System."

Redemption. The 2019A Bonds are subject to optional redemption, mandatory sinking fund redemption and special redemption from prepaid Special Taxes. See "THE 2019A BONDS – Redemption."

The 2019A Bonds, the interest thereon, and any premiums payable on the redemption of any of the 2019A Bonds, are not an indebtedness of the City (except to the limited extent described in this Official Statement), the State of California (the "State") or any of its political subdivisions, and neither the City (except to the limited extent described in this Official Statement), the State nor any of its political subdivisions is liable on the 2019A Bonds. Neither the faith and credit nor the taxing power of the City (except to the limited extent described in this Official Statement) or the State or any political subdivision thereof is pledged to the payment of the 2019A Bonds or interest thereon. Other than the Special Tax Revenues, no taxes are pledged to the payment of the 2019A Bonds. The 2019A Bonds are not a general obligation of the City, but are limited obligations of the City payable solely from the Special Tax Revenues as more fully described in this Official Statement.

MATURITY SCHEDULE
(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2019A Bonds involves risks which may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2019A Bonds.

The 2019A Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, is also serving as disclosure counsel to the City. Certain matters will be passed upon for the City by Richards, Watson and Gershon, San Francisco, California, acting as the City Attorney. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is serving as counsel to the Underwriter. It is anticipated that the 2019A Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about August 15, 2019.

STIFEL

The date of this Official Statement is: August 1, 2019.

MATURITY SCHEDULE

$19,865,000
IMPROVEMENT AREA B OF THE
CITY OF FAIRFIELD
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(VILLAGES AT FAIRFIELD)
SPECIAL TAX BONDS, SERIES 2019A

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (Base 304194)
2021	$ 65,000	3.000%	1.340%	103.336	DG5
2022	90,000	3.000	1.530	104.355	DH3
2023	115,000	4.000	1.640	109.198	DJ9
2024	140,000	4.000	1.770	110.715	DK6
2025	165,000	4.000	1.900	111.937	DL4
2026	195,000	5.000	2.040	119.330	DM2
2027	230,000	5.000	2.180	120.703	DN0
2028	265,000	5.000	2.260	122.298	DP5
2029	300,000	5.000	2.330	123.787	DQ3
2030	340,000	5.000	2.400	123.082 [C]	DR1
2031	380,000	5.000	2.460	122.482 [C]	DS9
2032	425,000	5.000	2.520	121.885 [C]	DT7
2033	475,000	5.000	2.570	121.390 [C]	DU4
2034	525,000	5.000	2.620	120.898 [C]	DV2
2035	575,000	5.000	2.670	120.408 [C]	DW0
2036	635,000	3.000	3.110	98.552	DX8

$2,235,000 5.000% Term 2019A Bond due September 1, 2039, Yield: 2.730%, Price: 119.823 [C]
CUSIP† No. 304194 DY6

$5,185,000 5.000% Term 2019A Bond due September 1, 2044, Yield: 2.930%, Price: 117.897 [C]
CUSIP† No. 304194 DZ3

$7,525,000 5.000% Term 2019A Bond due September 1, 2049, Yield: 2.980%, Price:117.422 [C]
CUSIP† No. 304194 EA7

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the City nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.
C Priced to first optional redemption date of September 1, 2029 at par.

CITY OF FAIRFIELD

CITY COUNCIL
Harry T. Price, *Mayor*
Pam Bertani, *Vice Mayor*
Catherine Moy, *Councilmember*
Chuck Timm, *Councilmember*
Rick Vaccaro, *Councilmember*

CITY EXECUTIVE STAFF
Sean Quinn, *Interim City Manager*
Laura M. Snideman, *Assistant City Manager*
Paul Kaushal, *Public Works Director*
Emily Combs, *Finance Director*
Farbod Pirouzmand, *Human Resources Director*
Ann Mottola, *Park & Recreation Director*

CITY TREASURER
Arvinda Krishnan

CITY CLERK
Karen L. Rees

CITY ATTORNEY
Richards, Watson & Gershon
San Francisco, California

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR
PFM Financial Advisors LLC
San Francisco, California

SPECIAL TAX CONSULTANT
Goodwin Consulting Group, Inc.
Sacramento, California

APPRAISER
BBG, Inc.
Sacramento, California

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

REGIONAL LOCATION MAP
City of Fairfield
Solano County, California

Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)
As of June 11, 2019

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 to give any information or to make any representations with respect to the 2019A Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

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 2019A Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City, the District, any other parties described in this Official Statement, or in the condition of property within Improvement Area B of the District since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2019A 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 2019A 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 Fiscal Agent Agreement 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 overallot or take other steps that stabilize or maintain the market prices of the 2019A Bonds at levels above those that 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 2019A Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2019A 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.

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 City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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

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OFFICIAL STATEMENT

$19,865,000
IMPROVEMENT AREA B OF THE
CITY OF FAIRFIELD
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(VILLAGES AT FAIRFIELD)
SPECIAL TAX BONDS, SERIES 2019A

INTRODUCTION

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, the inside cover and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2019A 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 definitions given in the Fiscal Agent Agreement (as defined below).

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the "**2019A Bonds**") to be issued by the City of Fairfield (the "**City**") for and on behalf of the "City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)" (the "**District**") with respect to its "Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)" ("**Improvement Area B**").

The City. The City, which comprises approximately 37 square miles, is located in the County of Solano (the "**County**") approximately 44 miles northeast of San Francisco and 42 miles west of Sacramento. For economic and demographic information regarding the City and County, see "APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF FAIRFIELD AND SOLANO COUNTY."

The District. The District and Improvement Area B were formed and established by the City Council of the City (the "**City Council**"), as legislative body of the District, under the Mello-Roos Community Facilities Act of 1982, as amended (the "**Act**"), pursuant to a resolution adopted by the City Council following a public hearing, and a landowner election at which the qualified electors of Improvement Area B authorized the City to incur bonded indebtedness for the District with respect to Improvement Area B, and approved the levy of special taxes.

The District is located on approximately 367 acres in the northeastern area of the City, to the south of Cement Hill and the Putah South Canal, north of Air Base Parkway, east of the Clay Bank Road, and west of the Gold Ridge residential development.

Improvement Area B is located approximately 3 miles east of Interstate 80, at the southeast quadrant of Manuel Campos Parkway and Clay Bank Road, within the City. The property within the District is part of a larger development project that overlaps the District known as the "Villages at Fairfield" (the "**Villages at Fairfield**"). The Villages at Fairfield contains approximately 431 gross acres, divided into five separate developments (Villages I, II, III, IV and Laurel Creek Plaza commercial center), and is currently approved and planned for 1,830 residential units and 22.2 acres of commercial, retail and mixed uses. Rancho Tolenas Corporation, a California Corporation (the "**Master Developer**"), has acted as the master developer for the Villages at Fairfield and has sold and intends to sell remaining portions of the Villages at Fairfield to merchant builders. See "THE DISTRICT AND IMPROVEMENT AREA B – Formation and Background" and "FINANCING PLAN – Development Agreement."

Improvement Area B is currently designated as the site of Village I, which encompasses approximately 91.5 acres. Land within Improvement Area B that is no longer owned by the Master Developer is currently being developed into three units of single family detached homes by the following three builders each of which acquired their property from the Master Developer (collectively, the "**Merchant Builders**"):

- Villages at Fairfield, LLC, a California limited liability company, doing business as "Discovery Builders" ("**Discovery Homes**"), which is developing its property in Improvement Area B into a development known as "Avery at The Villages" ("**Unit 1**");

- Richmond American Homes of Maryland, Inc., a Maryland corporation ("**Richmond American Homes**"), which is developing its property in Improvement Area B into a development known as "Larkspur at The Villages" ("**Unit 3**"); and

- TRI Pointe Homes, Inc., a Delaware corporation ("**TRI Pointe Homes**"), which is developing its property in Improvement Area B into a development known as "Lantana at The Villages" ("**Unit 4**").

The Master Developer also owns land within Improvement Area B consisting of 118 rough-graded lots ("**Unit 2**"). The Master Developer anticipates selling Unit 2 in 2020 to a merchant builder for development.

As of April 17, 2019, the date of value of the Appraisal (defined herein), of the 431 single family detached homes planned within Improvement Area B:

- 38 single family detached homes had been completed and sold to individual homeowners;

- 10 model homes had been completed; and

- 83 homes were under construction within Improvement Area B.

In addition, as of such date, there were 94 finished vacant lots, 73 near-finished vacant lots, 15 partially finished vacant lots and 118 rough-graded lots. Since the date of value of the Appraisal, as of June 30, 2019, an additional 36 single family homes had been conveyed to individual homeowners within Improvement Area B.

See "– PROPERTY OWNERSHIP AND DEVELOPMENT STATUS."

Authority for Issuance of the 2019A Bonds. The 2019A Bonds are issued under the Act, a resolution adopted by the City Council of the City on July 16, 2019 (the "**Resolution of**

Issuance"), and a Fiscal Agent Agreement, dated as of August 1, 2019, (the "**Fiscal Agent Agreement**"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "**Fiscal Agent**"). See "THE 2019A BONDS – Authority for Issuance." The City Council, as legislative body of Improvement Area B of the District, has authorized the issuance of bonds for Improvement Area B in an aggregate principal amount not to exceed $25,000,000.

Purpose of the 2019A Bonds. Proceeds of the 2019A Bonds will be used primarily to finance the acquisition and construction of certain facilities to be owned and operated by the City.

Proceeds of the 2019A Bonds will also fund a debt service reserve fund for the 2019A Bonds and any Related Parity Bonds (as defined herein) established and held by the Fiscal Agent under the Fiscal Agent Agreement (the "**2019 Reserve Fund**") and pay the costs of issuing the 2019A Bonds. See "FINANCING PLAN."

Redemption of 2019A Bonds before Maturity. The 2019A Bonds are subject to optional redemption, mandatory sinking fund redemption and special redemption from prepaid Special Taxes. See "THE 2019A BONDS – Redemption."

Security and Sources of Payment for the 2019A Bonds. The City Council annually levies special taxes on the property in Improvement Area B of the District (the "**Special Taxes**") in accordance with the Rate and Method of Apportionment Improvement Area B of City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield), County of Solano, State of California (the "**Rate and Method**") and under the Act, the Ordinance and the Fiscal Agent Agreement. Pursuant to the Fiscal Agent Agreement, the 2019A Bonds are secured by and payable from a first pledge of all of net proceeds of the Special Taxes (as more particularly defined in the Fiscal Agent Agreement, the "**Special Tax Revenues**"), on a parity with any bonds that may be issued in the future, subject to the conditions set forth in the Fiscal Agent Agreement. The 2019A Bonds will be additionally secured by certain funds and accounts established and held under the Fiscal Agent Agreement. See "SECURITY FOR THE 2019A BONDS."

Debt Service Reserve Fund. In order to further secure the payment of principal of and interest on the 2019A Bonds (and any series of Related Parity Bonds, i.e., Parity Bonds, the principal of and interest on which is payable from amounts in the 2019 Reserve Fund), certain proceeds of the 2019A Bonds will be deposited into the 2019 Reserve Fund in an amount equal to the 2019 Reserve Requirement (as defined herein) for the 2019A Bonds. See "FINANCING PLAN – Estimated Sources and Uses of Funds" and "SECURITY FOR THE 2019A BONDS – 2019 Reserve Fund."

Covenant to Foreclose. The District has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant see "SECURITY FOR THE 2019A BONDS – Covenant to Foreclose."

Property Ownership. The owners of the taxable property within Improvement Area B as of April 17, 2019, the date of value of the Appraisal, and as of June 30, 2019, were as shown in Table 1 on the following page.

Table 1
Property Ownership

Unit	Property Ownership	Number of Expected Homes As of April 17, 2019	Number of Expected Homes As of June 30, 2019
Unit 1 - Avery at The Villages	Individual Homeowners	20	26
	Discovery Homes	67	61
Unit 2	Master Developer	118	118
Unit 3 – Larkspur at The Villages	Individual Homeowners	15	29
	Richmond American Homes	78	64
Unit 4 – Lantana at The Villages	Individual Homeowners	3	19
	TRI Pointe Homes	130	114

Source: Goodwin Consulting Group, Inc.; BBG, Inc.

For detailed information about the Property Owner, the current development status and proposed development plans for the property in Improvement Area B, see "PROPERTY OWNERSHIP AND DEVELOPMENT STATUS."

Assessed Valuation. The Fiscal Year 2018-19 assessed valuation of the taxable property within Improvement Area B of the District is $8,072,685. See "THE DISTRICT AND IMPROVEMENT AREA B."

Appraisal. An appraisal of the property within Improvement Area B of the District with an effective date of value of April 17, 2019 (the "**Appraisal**"), was prepared by BBG, Inc., Sacramento, California (the "**Appraiser**") in connection with the issuance of the 2019A Bonds. The purpose of the Appraisal was to estimate the fee simple market value of the properties within Improvement Area B by ownership, subject to the lien of the Special Tax, with the sum of values by ownership representing an aggregate value.

The value is subject to a hypothetical condition that bonds had just been sold and the property was encumbered with Special Taxes. Subject to the assumptions and limiting conditions contained in the Appraisal, the Appraiser estimated that the taxable property within Improvement Area B, as of the April 17, 2019 date of value, had an estimated value of $79,462,000. The value represented a not-less-than estimate because (i) no value was assigned to upgrades and lot premiums in the valuation of completed and sold homes, (ii) except for fees paid, no value was assigned to partially completed homes not deemed "Substantially Complete" (which the Appraisal defines as homes having only interior finishes and landscaping remaining), and (iii) for partially completed lots, the value for building permit fees paid only were assigned and not for vertical construction.

The Appraiser has prepared an Update Appraisal Report (the "Appraisal Supplement"), dated July 2, 2019, in which the Appraiser concludes that the estimated fee simple market value of the properties within Improvement Area B subject to the lien of the Special Tax as of June 30, 2019, was not less than the concluded value as of the April 17, 2019 date of value in the Appraisal.

See “THE DISTRICT AND IMPROVEMENT AREA B – Appraised Values” and “APPENDIX H – APPRAISAL REPORT AND SUPPLEMENT TO APPRAISAL REPORT” for further information on the Appraisal.

Risk Factors Associated with Purchasing the 2019A Bonds. Investment in the 2019A Bonds involves risks that may not be appropriate for some investors. See “BOND OWNERS' RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the 2019A Bonds.

FINANCING PLAN

Facilities Financing Plan

General. Under the Resolution of Formation adopted by the City Council on December 6, 2016, the District (and each improvement area therein) is authorized to finance the costs of the following facilities (collectively, the “**Facilities**”):

> roadway, bridge, sewer, water, reclaimed water, dry utilities, storm drain, street and parkway landscaping, curb and gutter, medians, median landscaping, traffic signals, entry signage, parks, trails, police facilities, fire facilities and community center, appurtenances and appurtenant work and development impact fees with respect to Improvement Area D that are used by the City to construct infrastructure.

The City currently intends to use the net proceeds of the 2019A Bonds to reimburse the Master Developer for a portion of the cost of constructing certain of the Facilities pursuant to an Acquisition Agreement, dated as of December 6, 2016 (as amended from time to time, the “**Acquisition Agreement**”), between the City and the Master Developer. Pursuant to the Acquisition Agreement, the City may use proceeds of bonds and special taxes to pay the purchase price for the Facilities constructed by the Master Developer.

Status of Construction of Facilities. For the current status of the construction of Facilities in Improvement Area B to be financed with the net proceeds of the 2019A Bonds, see “PROPERTY OWNERSHIP AND DEVELOPMENT STATUS.”

Development Agreement

This section contains only a brief summary of the Development Agreement (defined below). Potential purchasers of the 2019A Bonds are encouraged to review the entire Development Agreement, which is available from the City.

The property within the District is subject to development pursuant to a Second Amended and Restated Development Agreement, dated as of December 17, 2015 (as amended, the “**Development Agreement**”), by and among the Master Developer, Fairfield Holding Company, LLC, a Delaware limited liability company, NCCM Holding Company, LLC, a Delaware limited liability company, Laurel Creek Holding Company, LLC, a Delaware limited liability company, Upper Martin Investment Company, LLC, a Delaware limited liability company, Laurel Creek Plaza, LLC, a California limited liability company, and the City.

Under the Development Agreement, the Master Developer agreed to provide certain public benefits in consideration for receiving assurances that the City will grant permits and approvals required for the proposed development of land within and in the vicinity of the District in accordance with the City's General Plan over the project's estimated 15-year development horizon. The Development Agreement currently expires on January 4, 2031. The Development Agreement includes a number of conditions that must be satisfied by the Master Developer; failure to satisfy the conditions could result in termination of the Development Agreement.

Estimated Sources and Uses of Funds

The estimated proceeds from the sale of the 2019A Bonds will be deposited into the following funds established under the Fiscal Agent Agreement:

SOURCES	Amount
Principal Amount of 2019A Bonds	$19,865,000.00
Plus: Net Original Issue Premium	3,525,522.60
Less: Underwriter's Discount	175,310.00
Total Sources	$23,215,212.60
USES	
Deposit into Improvement Fund (1)	$21,206,376.19
Deposit into 2019 Reserve Fund (2)	1,720,736.41
Deposit into Costs of Issuance Fund (3)	288,100.00
Total Uses	$23,215,212.60

(1) See "– Facilities Financing Plan" above for a description of the Facilities that the City currently intends to finance with the proceeds of the 2019A Bonds.
(2) Equal to the 2019 Reserve Requirement with respect to the 2019A Bonds as of the Closing Date.
(3) Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, printing the Preliminary and final Official Statements, the Fiscal Agent, the Municipal Advisor, the Appraiser, and the Special Tax Consultant.

THE 2019A BONDS

This section generally describes the terms of the 2019A Bonds contained in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in this section are defined in APPENDIX C.

Authority for Issuance

The 2019A Bonds are issued under the Act, the Resolution of Issuance and the Fiscal Agent Agreement. Under the Resolution of Issuance, the 2019A Bonds may be issued in a maximum principal amount of $19,865,000.

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The 2019A Bonds will be dated their date of delivery (the "**Dated Date**"), which is the Closing Date, and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2019A Bonds will be issued in fully registered form in integral multiples of $5,000.

Calculation of Interest. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The 2019A Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing March 1, 2020 (each, an "**Interest Payment Date**").

Each 2019A Bond will bear interest from the Interest Payment Date next preceding its date of authentication unless

(i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date (as defined below) preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or

(iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Dated Date;

provided, however, that if at the time of authentication of a 2019A Bond, interest is in default thereon, such 2019A Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

"**Record Date**" means the 15th day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

DTC and Book-Entry Only System. DTC will act as securities depository for the 2019A Bonds. The 2019A Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). See APPENDIX D – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments of Interest and Principal. *For so long as DTC is used as depository for the 2019A Bonds, principal of, premium, if any, and interest payments on the 2019A Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the 2019A Bonds, for distribution to the beneficial owners of the 2019A Bonds in accordance with the procedures adopted by DTC.*

Interest on the 2019A Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first-class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of $1,000,000 or more in aggregate principal amount of 2019A Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which will continue in effect until revoked in writing, or until such 2019A Bonds are transferred to a new Owner.

The principal of the 2019A Bonds and any premium on the 2019A Bonds are payable in lawful money of the United States of America upon surrender of the 2019A Bonds at the Principal Office of the Fiscal Agent.

Redemption

Optional Redemption from any Source other than Prepayments The 2019A Bonds maturing on or before September 1, 2029 are not subject to optional redemption prior to their stated maturity. The 2019A Bonds maturing on or after September 1, 2030, are subject to redemption, as a whole or in part at the election of the City among maturities on such basis as designated by the City and by lot within a maturity, at the option of the City, on September 1, 2029, and on any date thereafter, at a redemption price equal to 100% of the principal amount of 2019A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption. The 2019A Bonds maturing on September 1, 2039, September 1, 2044 and September 1, 2049 (collectively, the "**Term Bonds**"), are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

Sinking Fund Redemption Date (September 1)	Sinking Payments
2037	$680,000
2038	745,000
2039 (Maturity)	810,000

Sinking Fund Redemption Date (September 1)	Sinking Payments
2040	$880,000
2041	955,000
2042	1,030,000
2043	1,115,000
2044 (Maturity)	1,205,000

Sinking Fund Redemption Date (September 1)	Sinking Payments
2045	$1,295,000
2046	1,395,000
2047	1,500,000
2048	1,610,000
2049 (Maturity)	1,725,000

However, if some but not all of the Term Bonds of a given maturity have been redeemed through optional redemption or mandatory prepayment redemption, the total amount of all future Sinking Fund Payments relating to such maturity will be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of $5,000 as determined by the City, notice of which will be given by the City to the Fiscal Agent.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2019 Reserve Fund under the Fiscal Agent Agreement will be used to redeem 2019A Bonds on the next Interest Payment Date for which notice of redemption can timely be given under the Fiscal Agent Agreement, among series and maturities as provided in the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the 2019A Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

Redemption Dates	Redemption Price
Any Interest Payment Date on or before March 1, 2027	103%
September 1, 2027, and March 1, 2028	102%
September 1, 2028, and March 1, 2029	101%
September 1, 2029, and any Interest Payment Date thereafter	100%

Purchase in Lieu of Redemption. In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2019A Bonds upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2019A Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2019A Bonds were to be redeemed in accordance with the Fiscal Agent Agreement. Any 2019A Bonds purchased pursuant to the Fiscal Agent Agreement shall be treated as Outstanding 2019A Bonds under the Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

Notice of Redemption. The Fiscal Agent will cause notice of any redemption to be mailed by first-class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories, and to the respective registered Owners of any 2019A Bonds designated for redemption, at their addresses appearing on the 2019A Bond registration books in the Principal Office of the Fiscal Agent; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2019A Bonds. In addition, the Fiscal Agent will file each notice of redemption with the MSRB through its EMMA system. The sole remedy for failure to file such notices through EMMA shall be an action by the holders of the Bonds in mandamus for specific performance or a similar remedy to compel performance.

However, while the 2019A Bonds are subject to DTC's book-entry system, the Fiscal Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the Beneficial Owners of the 2019A Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any 2019A Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Fiscal Agent Agreement.

Rescission of Redemption. Notices of optional redemption may be conditional. The City has the right to rescind any notice of the optional redemption of 2019A Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2019A Bonds then called for redemption, and such cancellation will not constitute a default under the Fiscal Agent Agreement.

The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

Partial Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all the Bonds of any maturity or any given portion thereof, unless otherwise directed by the City, the Fiscal Agent will select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption as directed by the City or, in the absence of direction by the City, on a pro rata basis, among series and maturities, and, so as to maintain substantially the same Debt Service profile for the Bonds as in effect prior to such redemption, and by lot within a maturity, in any manner which the Fiscal Agent in its sole discretion deems appropriate.

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 2019A Bonds called for redemption have been deposited in the Bond Fund, those 2019A Bonds will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice of redemption.

Issuance of Future Parity Bonds

Parity Bonds. In addition to the 2019A Bonds, but subject to the maximum bonded indebtedness limit for Improvement Area B, the City may issue one or more additional series of bonds or other indebtedness (collectively, "**Parity Bonds**") payable from the Special Tax Revenues on a parity with the 2019A Bonds, in such principal amount as may be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds will constitute Bonds under the Fiscal Agent Agreement and will be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the 2019A Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding thereunder, except as provided therein or in a Supplemental Agreement.

The City may issue such Parity Bonds if the City complies with the conditions precedent set forth in the Fiscal Agent Agreement, including without limitation the following:

Separate Funds; Debt Service Reserve Fund. The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts.

The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for one of the following: (i) a deposit to the 2019 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2019 Reserve Requirement following issuance of the Parity Bonds, (ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2019 Reserve Fund and that the Owners of the Bonds covered by the 2019 Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2019 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2019 Reserve Fund or any other reserve account.

Improvement Area B Value. The Improvement Area B Value shall be at least four times the sum of:

(i) the aggregate principal amount of all Bonds then Outstanding, plus

(ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus

(iii) the aggregate principal amount of any fixed assessment liens on the parcels in Improvement Area B subject to the levy of Special Taxes, plus

(iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within Improvement Area B (the "**Other District Bonds**") equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within Improvement Area B, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

Undeveloped Property Value. The Undeveloped Property Value shall be at least 3 times the sum of:

(i) the proportionate share of the amounts described in clauses (i) and (ii) of the immediately preceding subsection determined by multiplying the aggregate of the amounts described in such clauses (i) and (ii) by a fraction, the numerator of which is the amount of Special Taxes to be levied on Undeveloped Property in the Fiscal Year following the then current Fiscal Year (without regard to any capitalized interest for any Parity Bonds), and the denominator of which is the total amount of Special Taxes to be levied on property in Improvement Area B in the Fiscal Year following the then current Fiscal Year, based upon information from the most recent available Fiscal Year, plus

(ii) the aggregate principal amount of any fixed assessment liens on the Undeveloped Property, plus

(iii) a portion of the aggregate principal amount of any Other District Bonds equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on Undeveloped Property, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of real property against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

If 100% of the debt service on the Bonds after the issuance of the proposed Parity Bonds is expected to be derived from Special Taxes levied on Developed Property, then the foregoing provisions of the Fiscal Agent Agreement do not apply to the proposed issuance of Parity Bonds.

"**Undeveloped Property**" means the property in Improvement Area B subject to the levy of the Special Taxes that is classified as Undeveloped Property pursuant to the Rate and Method.

"**Undeveloped Property Value**" means the assessed or market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of Undeveloped Property and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to:

(i) an appraisal performed within 6 months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the "**MAI Appraiser**") selected by the City, or

(ii) in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Finance Director.

It is expressly acknowledged in the Fiscal Agent Agreement that, in determining the Undeveloped Property Value, the City may rely on an appraisal to determine the value of some or all of the parcels of Undeveloped Property and/or the most recent County real property tax roll as to the value of some or all of the parcels of Undeveloped Property. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any MAI Appraiser pursuant to this definition.

Coverage. The amount of the maximum Special Taxes that may be levied in each Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement shall be at least (i)

110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds and (ii) 100% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds and the amount of the levy for Administrative Expenses in the current fiscal year. In addition, the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds.

***Limitation on Principal Amount of Parity Bonds*.** Pursuant to the Fiscal Agent Agreement, the City will covenant, following issuance of the 2019A Bonds, not to issue more than $5,135,000 initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

Refunding Bonds. Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the value and coverage tests described above.

Under the Fiscal Agent Agreement, the term "**Refunding Bonds**" is defined as bonds issued by the City for the District with respect to Improvement Area B, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

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

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for additional details regarding the conditions for issuing Parity Bonds.

Registration, Transfer and Exchange

The following provisions regarding the exchange and transfer of the 2019A Bonds apply only during any period in which the 2019A Bonds are not subject to DTC's book-entry system. While the 2019A Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX D – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Registration. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the 2019A Bonds, which will show the series number, date, amount, rate of interest and last known owner of each 2019A Bond and will at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the 2019A Bonds as provided in the Fiscal Agent Agreement.

The City and the Fiscal Agent will treat the Owner of any 2019A Bond whose name appears on the Bond register as the absolute Owner of such 2019A Bond for any and all purposes, and the City and the Fiscal Agent will not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

Registration of Exchange or Transfer. Any 2019A 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 such person's duly authorized attorney, upon surrender of such 2019A Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent.

2019A Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of 2019A Bonds of authorized denominations and of the same maturity.

The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City from amounts in the Administrative Expense Fund. The Fiscal Agent will collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any 2019A Bond or 2019A Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new 2019A Bond or 2019A Bonds, for a like aggregate principal amount.

No transfers or exchanges of 2019A Bonds will be required to be made (i) 15 days prior to the date established by the Fiscal Agent for selection of 2019A Bonds for redemption or (ii) with respect to a 2019A Bond after such 2019A Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

DEBT SERVICE SCHEDULE

The following table presents the annual Debt Service on the 2019A Bonds (including sinking fund redemptions), assuming there are no optional redemptions or special redemptions from Special Tax prepayments.

Year Ending September 1	Principal	Interest	Total Debt Service
2020	$ --	$1,016,505.56	$1,016,505.56
2021	65,000.00	973,250.00	1,038,250.00
2022	90,000.00	971,300.00	1,061,300.00
2023	115,000.00	968,600.00	1,083,600.00
2024	140,000.00	964,000.00	1,104,000.00
2025	165,000.00	958,400.00	1,123,400.00
2026	195,000.00	951,800.00	1,146,800.00
2027	230,000.00	942,050.00	1,172,050.00
2028	265,000.00	930,550.00	1,195,550.00
2029	300,000.00	917,300.00	1,217,300.00
2030	340,000.00	902,300.00	1,242,300.00
2031	380,000.00	885,300.00	1,265,300.00
2032	425,000.00	866,300.00	1,291,300.00
2033	475,000.00	845,050.00	1,320,050.00
2034	525,000.00	821,300.00	1,346,300.00
2035	575,000.00	795,050.00	1,370,050.00
2036	635,000.00	766,300.00	1,401,300.00
2037	680,000.00	747,250.00	1,427,250.00
2038	745,000.00	713,250.00	1,458,250.00
2039	810,000.00	676,000.00	1,486,000.00
2040	880,000.00	635,500.00	1,515,500.00
2041	955,000.00	591,500.00	1,546,500.00
2042	1,030,000.00	543,750.00	1,573,750.00
2043	1,115,000.00	492,250.00	1,607,250.00
2044	1,205,000.00	436,500.00	1,641,500.00
2045	1,295,000.00	376,250.00	1,671,250.00
2046	1,395,000.00	311,500.00	1,706,500.00
2047	1,500,000.00	241,750.00	1,741,750.00
2048	1,610,000.00	166,750.00	1,776,750.00
2049	1,725,000.00	86,250.00	1,811,250.00
Total:	$19,865,000.00	$21,493,855.56	$41,358,855.56

SECURITY FOR THE 2019A BONDS

This section generally describes the security for the 2019A Bonds set forth in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in the section are defined in APPENDIX C.

General

The 2019A Bonds and any Parity Bonds (collectively, the "**Bonds**") are secured by a first pledge (which will be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account), and, until disbursed as provided therein, in the Special Tax Fund.

The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

The 2019A Bonds and all Related Parity Bonds will be secured by a first pledge (which pledge will be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys deposited in the 2019 Reserve Fund. The moneys in the 2019 Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2019A Bonds and all Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2019A Bonds and all Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

The 2019A Bonds shall be secured by a first pledge (which will be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys deposited in the Capitalized Interest Account.

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

"**Special Tax Revenues**" are defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon.

However, Special Tax Revenues do not include any interest in excess of the interest due on the Bonds, or any penalties collected in connection with any such foreclosure.

Limited Obligation

The 2019A Bonds are neither a general obligation of the City nor are they payable from the general fund of the City; and are instead limited obligations of the City payable from Special Tax Revenues as described herein. Except with respect to the Special Tax Revenues, neither the faith and credit nor the taxing power of the City or the State or any

political subdivision thereof is pledged for the payment of the 2019A Bonds or interest thereon, and no Owner of the 2019A Bonds may compel the exercise of the taxing power by the City or the forfeiture of any of its property.

The principal of and interest on the 2019A Bonds, and premiums upon the redemption of any thereof, are not a debt of the City (except to the limited extent described in this Official Statement), the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory limitation or restriction. The 2019A Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the City, except the Special Tax Revenues that are, under the terms of the Fiscal Agent Agreement, pledged for the payment of the 2019A Bonds and interest thereon. Neither the members of the City Council nor any persons executing the 2019A Bonds are liable personally on the 2019A Bonds by reason of their issuance.

Special Taxes

Covenant to Levy Special Taxes. The City will fix and levy the amount of Special Taxes within Improvement Area B required for the payment of principal of and interest on any outstanding Bonds of the District with respect to Improvement Area B becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the 2019 Reserve Fund and any other reserve account for Parity Bonds that are not Related Parity Bonds, and an amount estimated to be sufficient to pay the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement and funds in the Special Tax Fund.

The Special Taxes so levied may not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

Manner of Collection. Except as set forth in the Ordinance, the Fiscal Agent Agreement provides that 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. The City is authorized to employ consultants to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the City (including a charge for staff time) in conducting its duties under the Fiscal Agent Agreement will be an Administrative Expense.

Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay Debt Service on the Bonds. Further, under no circumstances will the Special Tax levied against any parcel of residential property for which an occupancy permit for private residential use has been issued be increased by more than 10% as a consequence of delinquency or default by the owner of any other parcel within the District. In addition, in no event shall Special Taxes be levied after Fiscal Year 2056-57. See "BOND OWNERS' RISKS – Property Tax Delinquencies."

Rate and Method

General. The Special Tax will be levied and collected according to the Rate and Method, which provides the means by which the City Council may annually levy the Special Taxes within

Improvement Area B of the District, up to the maximum Special Tax rates, and to determine the amount of the Special Tax that will need to be collected each Fiscal Year from the "**Taxable Property**" within the District.

The following is a summary of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached as "APPENDIX B – RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA B OF THE CITY OF FAIRFIELD COMMUNITY FACILITIES DISTRICT NO. 2016-1 (VILLAGES AT FAIRFIELD)." Capitalized terms used but not defined in this section have the meanings as set forth in APPENDIX B. *This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX B.*

***Special Tax Requirement**.* Annually, at the time of levying the Special Tax for the District, the Administrator will determine the Special Tax Requirement. The Rate and Method defines "**Special Tax Requirement**" to mean the amount required in any Fiscal Year for Improvement Area B to:

(i) pay debt service on all Outstanding Bonds,

(ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds,

(iii) pay Administrative Expenses,

(iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds,

(v) pay directly for acquisition or construction of facilities eligible to be financed by the District, to the extent that the inclusion of this amount does not result in a tax on Undeveloped Property, and

(vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year,

less a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

Annual Determination of Property Categories for Administration of Special Tax. Each Fiscal Year, all Taxable Property within Improvement Area B will be classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property, or Undeveloped Property, and will be subject to Special Taxes in accordance with Sections C and D of the Rate and Method, as described below. All Developed Property will be assigned to the Land Use Classes shown below.

"**Developed Property**" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property and Taxable Public Property, for which a building permit for new construction was issued prior to June 30 of the previous Fiscal Year.

"**Taxable Property Owner Association Property**" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E of the Rate and Method, as described below.

"**Taxable Public Property**" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E of the Rate and Method, as described below.

"**Undeveloped Property**" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property, or Taxable Public Property.

Maximum Special Tax. The Maximum Special Tax is defined in the Rate and Method as follows:

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

(i) Assigned Special Tax. The Fiscal Year 2019-20 Assigned Special Taxes are shown in the following table.

Table 2
Developed Property
Assigned Special Tax
Fiscal Year 2019-20

Land Use Class	Description	Fiscal Year 2019-20 Assigned Special Tax
1	Residential Property (>= 2,700 SF)	$3,591.13 per Dwelling Unit
2	Residential Property (2,275 SF – 2,699 SF)	$2,977.75 per Dwelling Unit
3	Residential Property (<2,275 SF)	$2,766.57 per Dwelling Unit
4	Non-Residential Property	$1.63 per sq. ft. of Non-Residential Floor Area

(ii) Backup Special Tax. The Fiscal Year 2019-20 Backup Special Tax is $27,570.18. The Backup Special Tax attributable to a Final Subdivision will equal $27,570.18 multiplied by the Acreage of all Taxable Property, exclusive of any Taxable Property Owner Association Property and Taxable Public Property, therein. If the Final Subdivision includes only Residential Lots, the Backup Special Tax for each Residential Lot will be computed by dividing the Backup Special Tax attributable to the applicable Final Subdivision by the number of Residential Lots within that Final Subdivision. If the Final Subdivision includes only Non-Residential Property, the Backup Special Tax for each Assessor's Parcel of Non-Residential Property will be computed by multiplying the Backup Special Tax by the Acreage of such Assessor's Parcel.

If a Final Subdivision includes Assessor's Parcels of Taxable Property for which building permits for both residential and non-residential construction have been issued, excluding Taxable Property Owner Association Property and Taxable Public Property, then the Backup Special Tax for each Dwelling Unit shall be calculated according to the formulas listed in Section C of the Rate and Method.

Moreover, if all or any portion of the Final Subdivision(s) described in the preceding paragraphs is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, and only if the CFD Administrator determines that such change or modification results in a decrease in the number of Residential Lots or the square footage of Non-Residential Floor Area within the Final Subdivision, then the Backup Special Tax for each Assessor's Parcel of Developed Property that is affected by the lot line adjustment or similar instrument for such Final Subdivision shall be a rate per Acre as calculated in Section C of the Rate and Method. The Backup Special Tax previously determined for an Assessor's Parcel of Developed Property that is not affected by the lot line adjustment or similar instrument for such Final Subdivision shall not be recalculated.

(iii) Increase in the Assigned Special Tax and Backup Special Tax. On each July 1, the Assigned Special Tax and the Backup Special Tax will be increased by an amount equal to 2.00% of the amount in effect for the previous Fiscal Year.

Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property. The Fiscal Year 2019-20 Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property in Improvement Area B is $27,570.18 per Acre.

On each July 1, the Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property will be increased by an amount equal to 2.00% of the amount in effect for the previous Fiscal Year.

Multiple Land Uses. In cases where an Assessor's Parcel contains both Undeveloped Property and Developed Property or where Developed Property contains more than one Land Use Class, the Acreage of the Assessor's Parcel will be allocated between Developed Property and Undeveloped Property based the portion of the Assessor's Parcel for which building permits had been issued prior to June 30 of the prior Fiscal Year and portion of the Assessor's Parcel for which building permits had not been issued prior to June 30 of the prior Fiscal Year, as reasonably determined by the CFD Administrator.

The Acreage that is considered Undeveloped Property will be taxed at the Maximum Special Tax rate set forth in Section C.2 of the Rate and Method. The Acreage that is considered Developed Property will be allocated between Residential Property and Non-Residential Property based on the site plan, condominium plan, information provided by the City or developer, or other sources. If an Assessor's Parcel of Developed Property includes both Residential Property and Non-Residential Property, the CFD Administrator will (i) determine the size of each Dwelling Unit on the Assessor's Parcel and apply the Assigned Special Tax to such Dwelling Units, and (ii) determine the Non-Residential Floor Area and apply the Assigned Special Tax accordingly.

The Maximum Special Tax that can be levied on such Assessor's Parcel will be the sum of the Maximum Special Tax that can be levied on each type of property located on that Assessor's Parcel, as calculated in Section C of the Rate and Method. The CFD Administrator's allocation to each type of property shall be conclusive and binding.

It should be noted that although the Rate and Method assigns a maximum special tax to both Residential Property and Non-Residential Property, the Taxable Property in Improvement Area B is designated for development as Residential Property only. See "PROPERTY OWNERSHIP AND DEVELOPMENT STATUS."

Method of Apportionment of the Special Tax. For each Fiscal Year the CFD Administrator will determine the Special Tax Requirement and levy the Special Tax as follows:

> Step 1: Prior to applying Capitalized Interest that is available under the applicable Indenture, the Special Tax will be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax;
>
> Step 2: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax will be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;
>
> Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax will be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;
>
> Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax will be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax for Taxable Property Owner Association Property;
>
> Step 5: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax will be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

Exemptions. No Special Tax will be levied on up to 45.42 acres of Property Owner Association Property and Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property and Public Property that is not exempt from Special Taxes as described in the above paragraph will be Taxable Property Owner Association Property or Taxable Public Property, respectively, and taxed as set forth in the Rate and Method.

Prepayment of Special Tax. The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied provided that the terms set forth under the Rate and Method are satisfied, including the following conditions:

- There are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment.

- An owner of an Assessor’s Parcel intending to prepay the Special Tax obligation is required to provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator will notify such owner of the prepayment amount for such Assessor’s Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount is calculated based on the Bond Redemption Amount plus Redemption Premium and other costs, all as specified in “APPENDIX B – RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA B OF THE CITY OF FAIRFIELD COMMUNITY FACILITIES DISTRICT NO. 2016-1 (VILLAGES AT FAIRFIELD) – Section I.1.”

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid as specified in APPENDIX B – RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA B OF THE CITY OF FAIRFIELD COMMUNITY FACILITIES DISTRICT NO. 2016-1 (VILLAGES AT FAIRFIELD) – Section I.2.”

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Fiscal Agent Agreement provides that the Special Taxes are to be payable and collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Foreclosure Under the Act. Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

While judicial foreclosure is not mandatory under the Act, the City will agree in the Fiscal Agent Agreement that on or about March 30 and July 30 of each Fiscal Year, the City will:

(1) compare the amount of Special Taxes previously levied in Improvement Area B to the amount of Special Tax Revenues received by the City, and

(2) because it is the County’s practice under the Guidelines (as hereinafter defined) to apportion Special Taxes to the City as if the Special Taxes were covered by the Teeter Plan (as hereinafter defined) even though Special Taxes are not covered by the County’s Teeter Plan as further described below (see “ – Special Taxes Are Not Covered By Teeter Plan”), the City will make a good faith effort at the time of each apportionment of Special Taxes to obtain information from the County as to the Special Tax delinquencies represented by such apportionment.

Thereafter, if delinquencies have occurred, the City will proceed as follows:

Individual Parcel Delinquencies. If the City determines that any single parcel subject to the Special Tax in Improvement Area B is delinquent in the payment of Special Taxes in the aggregate amount of $2,000 or more, then the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 90 days of such determination.

Notwithstanding the foregoing, the City may defer any such actions with respect to a delinquent parcel if (1) the Special Taxes are covered by the County's Teeter Plan, or an equivalent procedure, but only to the extent that the City cannot be required to repay the County for amounts apportioned by the County to the City that represent delinquent Special Taxes, (2) the amount in the 2019 Reserve Fund is at least equal to the 2019 Reserve Requirement, (3) the amount in the reserve account for any Parity Bonds that are not Related Parity Bonds is at least equal to the required amount and (4) the subject parcel is not delinquent with respect to more than $5,000 of Special Taxes.

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

Individual Owner Delinquencies. As to any owner of more than one parcel within Improvement Area B, if the City determines that the aggregate amount of delinquent Special Taxes for all preceding tax years on all parcels owned by such owner (whether such parcels are owned solely by such owner or jointly by such owner and one or more others) exceeds $5,000, then the City shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) shall commence foreclosure proceedings within 90 days of such determination, regardless of when such delinquencies occurred.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained. However, under Section 53356.5 of the Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Taxes. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "**FDIC**"). See "BOND OWNERS' RISKS – Bankruptcy Delays."

Special Taxes Are Not Covered By Teeter Plan. The County has adopted written guidelines for its Alternative Method of Tax Apportionment ("**Teeter Plan**"), as set forth in the "County of Solano Guideline - Solano County Teeter Program" dated March 25, 2004 (the "**Guidelines**"). Under the Guidelines, (i) Special Taxes are not covered by the County's Teeter Plan, (ii) notwithstanding that Special Taxes are not covered by the County's Teeter Plan, for administrative convenience, the County will apportion Special Taxes to the City as if the Special Taxes were covered by the Teeter Plan and (iii) the County may demand the repayment by the City of apportionments that represent delinquent Special Taxes when the County determines that the collection of the delinquent Special Taxes is unlikely.

As a result, the City is permitted under the Fiscal Agent Agreement to use Special Taxes at any time to repay the County for amounts apportioned by the County to the City that represent delinquent Special Taxes if failure to do so will cause the County to withhold property tax revenues (other than Special Taxes) that would otherwise be apportioned to the City; provided, however, that in the event the County asks the City to repay it for the apportionment of amounts that represent delinquent Special Taxes, the City will make a good faith effort to negotiate a payment plan with the County that will not require the City to repay the County with Special Taxes if doing so will result in there being insufficient Special Tax Revenues to pay debt service on the Bonds when due. Therefore, the District's receipt of Special Taxes will be impacted by delinquencies in payment, as well as by the collection of interest and penalties on past delinquencies in the future.

See "THE DISTRICT AND IMPROVEMENT AREA B – Potential Consequences of Special Tax Delinquencies" and "BOND OWNERS' RISKS – Property Tax Delinquencies."

Special Tax Fund

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

Notwithstanding the foregoing,

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

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due Debt Service on the Bonds; second, without preference or priority, for transfer to the 2019 Reserve Fund to the extent needed to increase the amount then on deposit in the 2019 Reserve Fund up to the then 2019 Reserve Requirement and for transfer to the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit in such reserve account up to the amount then required to be deposited therein (and in the event the collection of delinquencies in payment of Special Taxes is not sufficient for the purposes of this clause, such amounts shall be applied to the 2019 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and third, to be held in the Special Tax Fund for use as described in "– Disbursements" below; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds) shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

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

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

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2019 Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds, the Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date or redemption date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in the Fiscal Agent Agreement, and

(ii) without preference or priority (a) to the 2019 Reserve Fund an amount, taking into account amounts then on deposit in the 2019 Reserve Fund, such that the amount in the 2019 Reserve Fund is equal to the 2019 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts will be applied to the 2019 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

(iii) between each September 2, beginning on September 2, 2019, and the immediately succeeding December 31, the City may direct the Fiscal Agent to transfer any of the moneys remaining in the Special Fund to (A) the Remainder Taxes Account or (B) the Administrative Expense Fund.

As described above, because it is the County's practice under the Guidelines to apportion Special Taxes to the City as if the Special Taxes were covered by the Teeter Plan even though Special Taxes are not covered by the County's Teeter Plan, the City may use Special Taxes at any time to repay the County for amounts apportioned by the County to the City that represent delinquent Special Taxes if failure to do so will cause the County to withhold property tax revenues (other than Special Taxes) that would otherwise be apportioned to the City. See "– Special Taxes Are Not Covered By Teeter Plan."

Bond Fund

Deposits. The Fiscal Agent will hold the moneys in the Bond Fund for the benefit of the City and the Owners of the Bonds, and will disburse those funds for the payment of the principal of, and interest and any premium on, the Bonds as described below.

Under the Fiscal Agent Agreement, within the Bond Fund there is established a separate account designated as the "Capitalized Interest Account" to be held in trust by the Fiscal Agent for the benefit of the City and the Owners of the Bonds into which will be deposited the amount specified in the Fiscal Agent Agreement. Amounts on deposit in the Capitalized Interest Account will be used and withdrawn by the Fiscal Agent solely for the payment of interest on the Bonds. When the amount in the Capitalized Interest Account is fully expended for the payment of interest, the account will be closed.

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

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

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent will determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will do the following:

(i) Withdraw from the 2019 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2019A Bonds and any Related Parity Bonds. Amounts so withdrawn from the 2019 Reserve Fund will be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund will be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the second sentence of the first paragraph under "Bond Fund – Disbursements" above, the Fiscal Agent will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the bonds by reason of sinking payments. Each such payment will be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, if there are insufficient funds to make the corresponding payment for all of the then Outstanding Bonds, subject to the restrictions on the uses of any funds as set forth in the Fiscal Agent Agreement. Any sinking payment not made as scheduled will be added to the sinking payment to be made on the next sinking payment date. Any failure by the Fiscal Agent to provide the notices required by the Fiscal Agent Agreement will not alter the obligation of the City to make the scheduled payments from amounts in the Bond Fund.

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

2019 Reserve Fund

General. In order to further secure the payment of principal of and interest on the 2019A Bonds and any series of Parity Bonds the principal of and interest on which is payable from amounts in the 2019 Reserve Fund ("**Related Parity Bonds**"), certain proceeds of the 2019A Bonds will be deposited into the 2019 Reserve Fund in an amount equal to the "**2019 Reserve Requirement**" for the 2019A Bonds (as defined below). See "FINANCING PLAN – Estimated Sources and Uses of Funds."

2019 Reserve Requirement. The "**2019 Reserve Requirement**" is defined in the Fiscal Agent Agreement to mean the sum of the following:

(i) $1,720,736.41, which is the least of (a) Maximum Annual Debt Service on the 2019A Bonds as of the Closing Date, (b) 125% of average Annual Debt Service on the 2019A Bonds as of the Closing Date and (c) 10% of the original principal amount of the 2019A Bonds plus

(ii) with respect to any series of Related Parity Bonds the principal of and interest on which is payable from amounts in the 2019 Reserve Fund, an amount equal to the least of (a) Maximum Annual Debt Service on such Related Parity Bonds as of the date of their issuance, (b) 125% of average Annual Debt Service on such Related Parity Bonds as of the date of their issuance and (c) 10% of the original principal amount of such Related Parity Bonds.

Disbursements. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the 2019 Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2019A Bonds and any Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming 2019A Bonds and any Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2019 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2019A Bonds and any Related Parity Bonds, the Fiscal Agent will provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Qualified Reserve Fund Credit Instruments. The City has the right at any time to direct the Fiscal Agent to release funds from the 2019 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument (as defined in the Fiscal Agent Agreement), and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2019A Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2019 Reserve Fund with cash if, at any time that the 2019A Bonds or any Related Parity Bonds are Outstanding, amounts are not available to be drawn upon under the Qualified Reserve Account Credit Instrument. The City and the Fiscal Agent will comply with the terms of the Qualified Reserve Account Credit Instrument as will be required to receive payments thereunder in the event and to the extent required under the Fiscal Agent Agreement.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for a complete description of the timing, purpose and manner of disbursements from the 2019 Reserve Fund.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for a definition of "Permitted Investments."

THE DISTRICT AND IMPROVEMENT AREA B

Formation and Background

Formation. The District was established by the City Council under the Act on December 6, 2016, following a noticed public hearing. On the same date, an election was held in which the qualified electors within Improvement Area B approved a ballot proposition authorizing the City to incur bonded indebtedness for Improvement Area B of the District of up to $25,000,000 to finance the acquisition and construction of the authorized Facilities, to levy the Special Taxes, and to establish an appropriations limit for Improvement Area B of the District.

The District is authorized to finance the construction of authorized Facilities. See "FINANCING PLAN – Facilities Financing Plan."

The Rate and Method by which Special Taxes may be levied is attached as "APPENDIX B – RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA B OF THE CITY OF FAIRFIELD COMMUNITY FACILITIES DISTRICT NO. 2016-1 (VILLAGES AT FAIRFIELD)." See "SECURITY FOR THE 2019A BONDS – Rate and Method" for a summary of the Rate and Method.

Improvement Areas within District. The District was originally formed to include the following four improvement areas:

(i) Improvement Area A of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)" ("**Improvement Area A**");

(ii) Improvement Area B;

(iii) "Improvement Area C of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)" ("**Improvement Area C**"); and

(iv) "Improvement Area D of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)" ("**Improvement Area D**").

The 2019A Bonds are secured only by the Special Taxes levied within Improvement Area B. No other special taxes of the District, including special taxes levied in Improvement Area A, Improvement Area C and Improvement Area D will be available to pay debt service on the 2019A Bonds.

Description and Location

General. The District is located on approximately 367 acres in the northeastern area of the City, to the south of Cement Hill and the Putah South Canal, north of Air Base Parkway, east of the Clay Bank Road, and west of the Gold Ridge residential development.

The District is part of a larger master planned community, The Villages at Fairfield, that overlaps the District. The Villages at Fairfield is currently planned for four residential projects (Villages I, II, III, and IV) and a 4.8-acre community commercial parcel in accordance with the Development Agreement. Planned development in the District includes construction of approximately 1,830 housing units, a commercial shopping center, an elementary school, two neighborhood parks, a portion of the Fairfield Linear Park, and associated public facilities, roadways, utilities and public transportation (including the Fairfield/Vacaville Train Station providing daily train service via the Amtrak Capitol Corridor Train to San Francisco and other parts of the San Francisco Bay Area).

Development activities within the Villages at Fairfield commenced in fiscal year 2016-2017 with the construction of major backbone infrastructure linking the Villages at Fairfield to Interstate 80 via Manual Campos Parkway. Since then, additional backbone improvements have been constructed, including improvements to Air Base Parkway and Clay Bank Road, which provide for a second point of access to Interstate 80. Residential land development within the Villages at Fairfield commenced in 2017 within Village IV, along with homebuilding by Discovery Homes. The first 77 single family homes in Village IV have been sold over a two year period and are nearing final completion as of June 30, 2019.

The Master Developer has also commenced backbone land development activities in Village II for the next phase of development covering 390 single family residential units. Land development activities in Village III are anticipated to commence in Spring 2021 and the construction of single-family homes and multi-family units in Village III is anticipated to commence in Fall 2021.

Improvement Area B is currently designated as the site of Village I, which encompasses approximately 91.5 acres. Only certain portions of the Village I area will be developed with single family detached homes. The remaining land within Improvement Area B is planned for a neighborhood park and an elementary school. Under the terms of the Development Agreement, the neighborhood park is anticipated to include a neighborhood center totaling approximately 2,400 square feet to be completed at the Master Developer's cost within one year of the construction of the elementary school.

See "APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF FAIRFIELD AND SOLANO COUNTY" for demographic and other information regarding the area in and around the District. The boundary map showing the boundaries of Improvement Area B is attached as Appendix I.

Property Ownership and Development Status. The taxable property in Improvement Area B is designated for development with a total of 431 housing units, consisting of detached single-family homes, as further described in the following table. All such property is anticipated to be classified as Residential Property under the Rate and Method. See Table 2 herein.

Table 3
Property Summary

Development Status	Acreage of Developed and Undeveloped Property	Taxable Parcels	Expected Number of Units	FY 2019-20 Maximum Special Tax Revenues	Estimated FY 2019-20 Special Tax Levy[1]
Developed Property [1]					
Individual Homeowners	4.22	38	38	$113,395	$113,395
Discovery Homes	3.48	26	26	82,077	82,077
Richmond American Homes	3.47	34	34	94,063	94,063
Tri Pointe Homes	2.65	33	33	93,409	93,409
Subtotal	13.82	131	131	$382,944	$382,944
Undeveloped Property[1]					
Discovery Homes	5.53	41	41	$152,397	$99,700
Master Developer	17.52	1	118	483,029	316,004
Richmond American Homes	4.47	44	44	123,365	80,707
Tri Pointe Homes	8.99	97	97	247,855	162,150
Subtotal	36.51	183	300	$1,006,647	$658,561
Total	**50.34**	**314**	**431**	**$1,389,591**	**$1,041,506**

(1) Based on number of building permits issued as of April 17, 2019
Source: Solano County Assessor's Office; Goodwin Consulting Group, Inc.

See "PROPERTY OWNERSHIP AND DEVELOPMENT STATUS" below.

Status of Bond Financed Public Infrastructure

As of May 2019, the Facilities, expected to be financed with the proceeds of the 2019A Bonds, had been substantially completed at a cost of approximately $19.5 million (which amount does not include approximately $2.5 million of soft costs paid by the Master Developer). The completed work consists of rough grading, major roadways, curb and gutter, medians, median landscaping, entry signage, sanitary sewer system installation, storm drain system installation, dry utilities, signalization, and landscaping. The Master Developer estimates the total cost to complete the remaining Facilities relating to Improvement Area B to be approximately $3.1 million (including soft costs of approximately $400,000). The Master Developer anticipates initially funding such Facilities with internal funding and subsequently being reimbursed for the costs thereof with proceeds of Parity Bonds to be issued in the future.

Entitlements

Entitlement Status. The large final map for Improvement Area B was approved on April 4, 2017 and recorded in the County of Solano on May 3, 2017. Small lot final subdivision maps for Units 1, 3 and 4 were recorded in the County of Solano in 2018. Unit 2 has tentative map approval, as part of a larger map tentative map concept for Village 1 that was approved in 2015. The Master Developer anticipates obtaining approval of a small lot final subdivision map for Unit

2 shortly prior to selling Unit 2 to merchant builder in the Spring of 2020. All other discretionary entitlements for Units 1, 3 and 4 are in place, and none of the Merchant Builders are aware of any additional entitlements required to proceed with development of their property within Improvement Area B, other than obtaining building permits.

Utilities. It is expected that utility services for the taxable property in Improvement Area B will be provided by the following:

- Water: City of Fairfield
- Sanitary Sewer: Fairfield-Suisun Sewer District
- Storm Water Drainage: City of Fairfield
- Electricity and Gas: Pacific Gas & Electric
- Telephone: AT&T
- Garbage: Republic Services

Environmental Matters

General. The City certified the final environmental impact report for the Villages at Fairfield (the "**EIR**") under the California Environmental Quality Act on September 20, 2005, and an addendum to the EIR on November 3, 2015.

Neither the Master Developer nor the Merchant Builders are required to undertake any remediation in order to develop their respective property in Improvement Area B as described in this Official Statement.

Flood Hazard Map Information. The District is located in an area of minimal flooding according to the Federal Emergency Management Association ("**FEMA**"). In particular, Improvement Area B is located in an area designated by FEMA as being within Zone X, with a 0.02% chance of flooding in any given year. See "BOND OWNERS' RISKS – Property Values – Natural Disasters."

Seismic Conditions. Like other areas of Northern California, property in the District is subject to the risk of major earthquake damage. The City is located along the eastern edge of the seismically active Coast Ranges of California. Active faults near the City include the Green Valley and Cordelia faults. Most large earthquakes in the Bay Area have occurred along the major faults including the San Andreas, Hayward, Calaveras faults, which are located 20 to 45 miles west and south of the City. A significant earthquake along these or other faults is possible during the period the 2019A Bonds will be outstanding. See "BOND OWNERS' RISKS – Property Values – Natural Disasters."

Wetlands. The Master Developer was required to perform certain wetland mitigation. All such mitigation required for development within Improvement Area B has been completed.

Special Tax Revenues and Projected Debt Service Coverage

The Rate and Method is structured to produce Special Tax revenues from the Maximum Special Tax that, when applied to the projected Debt Service on the 2019A Bonds, is anticipated to result in a Debt Service coverage ratio of at least 110% for the life of the 2019A Bonds, as shown in the table on the following page.

Table 4
Projected Special Tax Revenues and Debt Service Coverage (1)

Year Ending Sept. 1	Expected Maximum Special Tax Revenues (2)	2019 Bonds Debt Service	Unused Revenues	Debt Service Coverage
2020	$1,295,482	$1,016,506	$278,977	127.44%
2021	1,321,392	1,038,250	283,142	127.27
2022	1,347,820	1,061,300	286,520	127.00
2023	1,374,776	1,083,600	291,176	126.87
2024	1,402,272	1,104,000	298,272	127.02
2025	1,430,317	1,123,400	306,917	127.32
2026	1,458,924	1,146,800	312,124	127.22
2027	1,488,102	1,172,050	316,052	126.97
2028	1,517,864	1,195,550	322,314	126.96
2029	1,548,221	1,217,300	330,921	127.18
2030	1,579,186	1,242,300	336,886	127.12
2031	1,610,770	1,265,300	345,470	127.30
2032	1,642,985	1,291,300	351,685	127.23
2033	1,675,845	1,320,050	355,795	126.95
2034	1,709,362	1,346,300	363,062	126.97
2035	1,743,549	1,370,050	373,499	127.26
2036	1,778,420	1,401,300	377,120	126.91
2037	1,813,988	1,427,250	386,738	127.10
2038	1,850,268	1,458,250	392,018	126.88
2039	1,887,273	1,486,000	401,273	127.00
2040	1,925,019	1,515,500	409,519	127.02
2041	1,963,519	1,546,500	417,019	126.97
2042	2,002,789	1,573,750	429,039	127.26
2043	2,042,845	1,607,250	435,595	127.10
2044	2,083,702	1,641,500	442,202	126.94
2045	2,125,376	1,671,250	454,126	127.17
2046	2,167,884	1,706,500	461,384	127.04
2047	2,211,241	1,741,750	469,491	126.96
2048	2,255,466	1,776,750	478,716	126.94
2049	2,300,576	1,811,250	489,326	127.02
Total	$52,555,233	$41,358,856	$11,196,377	

(1) Administrative costs are assumed to be paid out of coverage, i.e. unused revenues.
(2) Based on the expected number of residential units within each land use category as of March 20, 2019, as reported by the Master Developer.
(3) For year ending September 1, 2019, equal to actual Special Tax Levy for Fiscal Year 2018-19, which included Developed Property only.
Source: Stifel, Nicolaus & Company, Inc.; Goodwin Consulting Group, Inc.

It should be noted that the City may in the future issue Parity Bonds on a parity with the 2019A Bonds upon the satisfaction of the conditions contained in the Fiscal Agent Agreement, up to a total combined bond authorization of $25,000,000, subject to adjustment as described above (see "– Formation and Background"). However, any Parity Bonds will be issued on the condition (among others) that the projected Debt Service coverage on the 2019A Bonds and any Parity Bonds be at least 110%. See “THE 2019A BONDS– Issuance of Future Parity Bonds.”

Assessed Values

General. The valuation of real property in the County is established by the County Assessor. Assessed valuations are reported at 100% of the “full cash value” of the property, which is defined in Article XIIIA of the California Constitution as the appraised value as of March 1, 1975, plus adjustments not to exceed 2% per year to reflect inflation. An assessment of “full cash value” is required upon change of ownership or new construction, after which the assessed value increases at a rate no greater than 2% per year. Accordingly, the gross assessed valuation presented in this Official Statement may not necessarily be representative of the actual market value of certain property in Improvement Area B.

Assessed Valuations. The table below shows the Fiscal Year 2018-19 assessed value of the property in Improvement Area B differentiated by land and improvement values. The Fiscal Year 2018-2019 assessed value is based on the January 1, 2018 lien date for such Fiscal Year, which predates the commencement of any vertical construction.

Table 5
Assessed Valuation
Fiscal Year 2018-19

Fiscal Year	Land Value	Improvement Value	Total Value
2018-19	$8,072,685	--	$8,072,685

Source: Solano County Accessor’s Office; Goodwin Consulting Group, Inc.

The City anticipates that the assessed values attributed to improvements within Improvement Area B will increase in Fiscal Year 2020-21 to reflect the 38 production homes sold as of the April 17, 2019 date of value of the Appraisal, the 10 existing model homes and any other homes that are completed prior to the January 1, 2020 lien date for such Fiscal Year.

Appraised Values

General. The purpose of the Appraisal was to estimate the fee simple market value of the residential properties within Improvement Area B, by ownership, subject to the Special Taxes levied with respect to Improvement Area B, with the sum of values by ownership representing an aggregate value.

The Appraisal was prepared in compliance with Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Ethics of the Appraisal Institute, and the Appraisal Standards for Land Secured Financing as promulgated by the California Debt and Investment Advisory Commission.

Value Estimates. The Appraiser estimated that, as of the April 17, 2019 date of value, the estimated market value of the taxable property in Improvement Area B was $79,462,000.

Additionally, in the Appraisal Supplement, the Appraiser concludes that the estimated market value of the taxable property in Improvement Area B as of June 30, 2019, was not less than the concluded value as of the April 17, 2019 date of value in the Appraisal. In the Appraisal Supplement, the Appraiser states that subsequent to the April 17, 2019 date of value of the

Appraisal, within Improvement Area B, there were additional home closings and homes in escrow and additional homes being constructed. In connection with the preparation of the Appraisal Supplement, the Appraiser inspected the property within Improvement Area B and was provided information with respect to additional home closings, sales and construction activity by the Merchant Builders.

Valuation Methods. The appraised property includes completed homes and vacant lots. Home values were estimated using the sales comparison approach. In the subject area, lots intended for residential development are typically marketed and sold in bulk to production homebuilders.

In estimating the value for the lots within Improvement Area B, the Appraiser used the sales comparison approach and the subdivision development method. In the sales comparison approach, the Appraiser adjusted the prices of comparable transactions in the region based on differences between comparable properties and the subject property. In the subdivision development method approach, the Appraiser considered area bulk lot sales, with adjustments applied accordingly relative to the subject property. This method is a discounted cash flow analysis that reflects anticipated home prices and costs over an absorption period, leading to an estimate of residual land value. The projected cash flows have a finite life that corresponds with the sellout of the project. The values estimated by the sales comparison approach and subdivision development method were reconciled into a final opinion of value. While a separate cost approach is not utilized in the Appraisal, the Appraiser did conduct a "top down" land value analysis that considers all anticipated construction costs relative to anticipated home prices. This method is effectively a reverse cost approach that may also be used to gauge financial feasibility. For the valuation of the homes in bulk, the estimated home values are incorporated into a discounted cash flow analysis that considers the time and cost of selling the homes over an estimated absorption period.

Neither the City nor the Underwriter makes any representation as to the accuracy or completeness of the Appraisal. See "APPENDIX H – APPRAISAL REPORT AND SUPPLEMENT TO APPRAISAL REPORT" for the Appraisal Report and the Appraisal Supplement, including a description of the valuation process that the Appraiser undertook to arrive at an estimate of value of the appraised property within Improvement Area B.

Appraised Value-to-Debt Ratios

The following tables 6a and 7 show the approximate value-to-debt ratio for the parcels in Improvement Area B of the District, based on the appraised values set forth in the Appraisal and the proposed principal amount of the 2019A Bonds. Table 6b provides an updated presentation based on the development classifications in the Rate and Method as of June 30, 2019. The appraised value and ownership by property taxpayer in Table 6b are as of the April 17, 2019 date of value of the Appraisal. See "PROPERTY OWNERSHIP AND DEVELOPMENT STATUS" for a description the ownership status as of June 30

No assurance can be given that the amounts shown in these tables will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes.

Table 6a
Appraised Values and Value-to-Debt Ratios as of April 17, 2019[1]

Development Status	Taxable Parcels	Expected Residential Units	FY 2019-20 Special Tax Levy	Estimated FY 2019-20 Tax Levy	Appraised Value	Principal Amount of 2019A Bonds[2]	Average Value-to-Debt Ratios
Developed Property[3]							
Individual Homeowners	38	38	$113,395	10.9%	$19,845,000	$2,162,830	9.2
Developer Owned							
Completed Homes	10	10	29,737	2.9	4,527,411	567,187	8.0
Homes Under Construction	83	83	239,812	23.0	21,092,327	4,574,014	4.6
Subtotal	131	131	382,944	36.8	45,464,737	7,304,031	6.2
Undeveloped Property							
Discovery Homes	41	41	$99,700	9.6%	$6,049,932	$1,901,612	3.2
Master Developer	1	118	316,004	30.3	11,083,000	6,027,258	1.8
Richmond American Homes	44	44	80,707	7.7	5,648,667	1,539,355	3.7
Tri Pointe Homes	97	97	162,150	15.6	11,215,664	3,092,744	3.6
Subtotal	183	300	658,561	63.2	33,997,263	$12,560,969	2.7
Total	**314**	**431**	**$1,041,506**	**100.0%**	**$79,462,000**	**$19,865,000**	**4.0**

(1) Development status, per the Rate and Method, is based on building permits issued as of April 17, 2019.
(2) Allocated based on the fiscal year 2019-20 Maximum Special Tax revenues.
(3) Ownership information as of the April 17, 2019 date of value of the Appraisal.
Source: City of Fairfield; Stifel, Nicolaus & Company, Inc.; Goodwin Consulting Group, Inc.; BBG, Inc.

Table 6b
Appraised Values and Value-to-Debt Ratios as of June 30, 2019(1)

Development Status	Taxable Parcels	Expected Residential Units	FY 2019-20 Special Tax Levy	Estimated FY 2019-20 Tax Levy	Appraised Value	Principal Amount of 2019A Bonds(2)	Average Value-to-Debt Ratios
Developed Property(3)							
Individual Homeowners	38	38	$113,395	10.9%	$19,845,000	$2,162,830	9.2
Developer Owned							
Completed Homes	10	10	29,737	2.9	$4,527,411	567,187	8.0
Homes Under Construction	138	138	400,048	38.4	$28,040,796	7,630,252	3.7
Subtotal	186	186	$543,180	52.2%	$52,413,207	$10,360,269	5.1
Undeveloped Property							
Discovery Homes	28	28	$62,217	6.0%	$4,131,661	$1,186,678	3.5
Master Developer	1	118	282,234	27.1	11,083,000	5,383,142	2.1
Richmond American Homes	24	24	40,051	3.8	3,081,091	763,910	4.0
Tri Pointe Homes	75	75	113,824	10.9	8,753,041	2,171,001	4.0
Subtotal	128	245	$498,325	47.8%	$27,048,793	9,504,731	2.8
Total	**314**	**431**	**$1,041,506**	**100.0%**	**$79,462,000**	**$19,865,000**	**4.0**

(1) Based on the number of building permits issued as of June 30, 2019.
(2) Allocated based on the estimated fiscal year 2019-20 special tax levy.
(3) Ownership information as of the date of value of the Appraisal.
Source: City of Fairfield; Stifel, Nicolaus & Company, Inc.; Goodwin Consulting Group, Inc.; BBG, Inc.

Table 7
Appraised Values and Value-to-Debt Ratios Based on 2019A Bonds
Allocated by Value-to-Debt Category

Value to Lien	Taxable Parcels	Maximum FY 2019-20 Special Tax Revenues	Actual FY 2019-20 Special Tax Levy	% FY 2019-20 Maximum Special Tax	Principal Amount of 2019A Bonds(1)	Appraised Value	Average Value-to-Debt Ratios
Greater than 10:1	8	$22,133	$22,133	2.1%	$422,142	$4,320,000	10.2
5:1 to 10:1	64	189,489	189,489	18.2	3,614,196	30,019,000	8.3
4:1 to 5:1	34	77,905	50,967	4.9	972,106	4,110,777	4.2
3:1 to 4:1	191	551,507	420,044	40.3	8,011,647	27,826,892	3.5
2:1 to 3:1	15	58,252	38,110	3.7	726,876	1,954,772	2.7
Less than 2:1	2	490,304	320,763	30.8	6,118,034	11,230,559	1.8
Total	**314**	**$1,389,591**	**$1,041,506**	**100.0%**	**$19,865,000**	**$79,462,000**	**4.0**

(1) Allocated based on the fiscal year 2019-20 Maximum Special Tax revenues.
Source: City of Fairfield, Stifel, Nicolaus & Company, Inc.; Goodwin Consulting Group, Inc.; BBG, Inc.

Direct and Overlapping Governmental Obligations

Contained within the boundaries of Improvement Area B are certain overlapping local agencies providing public services. Many of these local agencies have outstanding debt. The direct and overlapping debt affecting Improvement Area B as of May 1, 2019, is shown in the table below, a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. Neither the City nor the Underwriter has reviewed the Debt Report for completeness or accuracy and neither makes any representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area B in whole or in part. These long-term obligations are not payable from Special Taxes derived from Improvement Area B (except as indicated) nor are they necessarily obligations secured by land within Improvement Area B. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies that have outstanding debt as of the date of the Debt Report and whose territory overlaps Improvement Area B; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within Improvement Area B; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in Improvement Area B, as determined by multiplying the total outstanding debt of each agency by the percentage of the public agency's assessed valuation represented in column 2.

Table 8
Direct and Overlapping Governmental Obligations

2018-19 Local Secured Assessed Valuation: $8,072,685

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/19
City of Fairfield Community Facilities District No. 2016-1, I.A. B	**100.000**	**$ --** (1)
SUBTOTAL: DIRECT DEBT		--
Solano Community College District General Obligation Bonds	0.020%	$41,986
Fairfield-Suisun Joint Unified School District General Obligation Bonds	0.048	100,984
City of Fairfield Zone of Benefit Obligations (2)	0.057	4,387
SUBTOTAL: OVERLAPPING DEBT		$147,357
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		**$147,357**

Ratios to 2018-19 Local Secured Assessed Valuation:
Direct Debt .... - %
Total Direct and Overlapping Tax and Assessment Debt 1.83%

(1) Excludes the 2019A Bonds.
(2) Represents the City's obligations to allocate property tax revenues levied within Improvement Area B to pay the Solano County Water Agency for project costs associated with the North Bay Aqueduct of the State Water Project.
Source: California Municipal Statistics, Inc.

Estimated Tax Burden on Single-Family Homes

The following table sets forth the estimated total tax burden on a developed single-family detached unit in Improvement Area B, based on special tax rates for Fiscal Year 2019-20

Table 9
Fiscal Year 2019-20 Tax Rates
(Developed Single-Family Detached Units)

Assumptions		**≥ 2,700 SF**	**2,275 - 2,699 SF**	**< 2,275 SF**
Base List Price[1]		$594,295	$529,600	$499,786
Homeowner's Exemption		($7,000)	($7,000)	($7,000)
Net Expected Assessed Value		**$587,295**	**$522,600**	**$492,786**
Ad Valorem Tax Rate[2]	**Rate**			
County General	1.000000	$5,873	$5,226	$4,928
Fairfield City	0.004500	$26	$24	$22
SC Water Agency St Water Proj.	0.020000	$117	$105	$99
Ff-Ss USD GOB 2016 S-2018	0.058452	$343	$305	$288
SCC 2015 GO Refunding Bonds	0.000701	$4	$4	$3
Fsusd GOB 2011 Refunding	0.014933	$88	$78	$74
Ff-Ss USD 2012 GO Refunding Bnd	0.023202	$136	$121	$114
SCC GOB 2012 Series A	0.004991	$29	$26	$25
SCC GOB 2012 Series B	0.003224	$19	$17	$16
SCC 2014 GOB Ref Series A	0.001630	$10	$9	$8
SCC 2014 GOB Ref Series B	0.013831	$81	$72	$68
Ff-Ss USD GOB 2016 Series A	0.017186	$101	$90	$85
SCC 2012 GOB Series C	0.014512	$85	$76	$72
Total Ad Valorem Taxes	**1.177162**	**$6,913**	**$6,152**	**$5,801**
Direct Charges[3]				
F-S SD Drainage Maintenance		$20	$20	$20
Woodlake Maintenance Dist. #14		$206	$206	$206
Community Fac. Dist. #1		$80	$80	$80
City of Fairfield - CFD #2012-2		$865	$865	$865
SF Bay Rest Auth-Measure Aa		$12	$12	$12
CFD 2016-1 Improvement Area B		$3,591	$2,978	$2,767
Total Direct Charges		**$4,775**	**$4,161**	**$3,950**
Total Taxes and Direct Charges		**$11,688**	**$10,313**	**$9,751**
Percentage of Estimated Sales Price		**1.97%**	**1.95%**	**1.95%**

(1) Reflects the weighted average base list prices per the Appraisal Report
(2) Based on the fiscal year 2018-19 ad valorem tax rates for the tax rate area within Improvement Area B. Ad valorem tax rates are subject to change in future years.
(3) Based on the fiscal year 2018-9 charges identified on the Solano County-issued property tax bills. Charges subject to change in future years.

Source: Solano County Tax Collector's Office; City of Fairfield; Goodwin Consulting Group, Inc.; BBG, Inc.

Special Tax Collection and Delinquencies Rate Information Available

Pursuant to the Ordinance, Special Taxes within Improvement Area B were first levied in Fiscal Year 2018-19. As of April 17, 2019, none of such Special Taxes were delinquent. Likewise, the District has not taken any actions to enforce delinquent Special Taxes in the past.

Potential Consequences of Special Tax Delinquencies

General. Delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in Improvement Area B could result in draws on the 2019 Reserve Fund established for the 2019A Bonds and any Related Parity Bonds, and perhaps, ultimately, a default in the payment on the 2019A Bonds. See "Covenant to Foreclose – Special Taxes Are Not Covered By Teeter Plan" and "BOND OWNERS' RISKS."

Special Tax Enforcement and Collection Procedures. The City could receive additional funds for the payment of Debt Service through foreclosure sales of delinquent property, but no assurance can be given as to the amount of foreclosure sale proceeds or when foreclosure sale proceeds would be received. The City has covenanted in the Fiscal Agent Agreement to take certain enforcement actions and commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described herein. See "SECURITY FOR THE 2019A BONDS — Covenant to Foreclose" and "BOND OWNERS' RISKS."

Foreclosure actions would include, among other steps, formal City Council action to authorize commencement of foreclosure proceedings, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable Special Taxes and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

Limitations on Increases in Special Tax Levy. If owners are delinquent in the payment of Special Taxes, the City may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Special Tax rates specified for each category of property within Improvement Area B of the District. See "SECURITY FOR THE 2019A BONDS – Rate and Method." In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2019A Bonds. See "BOND OWNERS' RISKS."

PROPERTY OWNERSHIP AND DEVELOPMENT STATUS

Unless otherwise indicated, the information provided in this section has been provided to the City by the Master Developer and the Merchant Builders and it has been included because it may be considered relevant to an informed evaluation and analysis of the 2019A Bonds and the District. No assurance can be given, however, that the proposed development of the property within the District or Improvement Area B will occur in a timely manner or in the configuration or to the density described herein, or that the Master Developer and Merchant Builders, any owners or affiliates thereof, or any other property owner described herein will or will not retain ownership of its respective property within the District or Improvement Area B. The City can provide no assurances as to the accuracy of the information in this section.

Property Ownership

The table below shows the ownership of property within Improvement Area B as of April 17, 2019, and the share of the Fiscal Year 2019-20 special tax levy.

Table 10
Property Ownership by Share of Fiscal Year 2019-20 Special Tax Levy
as of April 17, 2019

Property Ownership	Taxable Parcels	Number of Units	FY 2019-20 Maximum Special Revenues	% of Maximum Special Tax Revenues	Estimated FY 2019-20 Special Tax Levy	% of Estimated Tax Levy
Discovery Homes						
Completed Homes	4	4	$12,927	0.9%	$12,927	1.2%
Homes Under Construction	22	22	$69,150	5.0%	$69,150	6.6%
Finished Lots	41	41	$152,397	11.0%	$99,700	9.6%
Subtotal	67	67	$234,474	16.9%	$181,777	17.5%
Master Developer						
Rough-Graded Lots	1	118	$483,029	34.8%	$316,004	30.3%
Subtotal	1	118	$483,029	34.8%	$316,004	30.3%
Richmond American Homes						
Completed Homes	3	3	$8,300	0.6%	$8,300	0.8%
Homes Under Construction	31	31	$85,764	6.2%	$85,764	8.2%
Finished Lots	44	44	$123,365	8.9%	$80,707	7.7%
Subtotal	78	78	$217,429	15.6%	$174,770	16.8%
Tri Pointe Homes						
Completed Homes	3	3	$8,511	0.6%	$8,511	0.8%
Homes Under Construction	30	30	$84,898	6.1%	$84,898	8.2%
Finished Lots	9	9	$21,187	1.5%	$13,860	1.3%
Unfinished Lots	88	88	$226,669	16.3%	$148,290	14.2%
Subtotal	130	130	$341,264	24.6%	$255,559	24.5%
Individual Homeowners						
Completed Homes	38	38	$113,395	8.2%	$113,395	10.9%
Subtotal	38	38	$113,395	8.2%	$113,395	10.9%
Total	**314**	**431**	**$1,389,591**	**100.0%**	**$1,041,506**	**100.0%**

Source: City of Fairfield; Goodwin Consulting Group, Inc.; BBG, Inc.

Neither the 2019A Bonds nor any of the Special Taxes are personal obligations of any property owner within Improvement Area B. See "BOND OWNERS' RISKS – Payment of Special Tax is not a Personal Obligation of the Property Owners."

The Master Developer

Rancho Tolenas Corporation, a California corporation (referred to in this Official Statement as the "**Master Developer**") is the master developer of the property within Improvement Area B. The Master Developer is a privately-owned California corporation and an affiliate of the Lewis Group of Companies (the "**Lewis Group**"). The Lewis Group was established in 1955 and has built more than 57,000 homes, developed more than 25,000 acres of land and developed and sold more than 21,000 residential lots. Since its formation, the Lewis Group has also developed more than 19.5 million square feet of retail, office and industrial space and also owns and manages apartments and investment properties.

The Lewis Group focuses on identifying and then acquiring residential land which it subsequently entitles, develops, and sells to merchant or custom homebuilders. Such activities include transactions in the communities of Chino, Diamond Bar, Eastvale, Fontana, Lake Elsinore, Rancho Cucamonga, Rialto, Riverside County, Upland, Brawley, Calexico, Imperial, Fairfield, Sacramento, Elk Grove, El Dorado Hills, Folsom and Hercules, all in California, as well as Las Vegas, North Las Vegas, Reno, Sparks and Dayton in Nevada.

The Lewis Group has sold lots to Albert Seeno, The Allen Group, Beazer Homes, Brookfield Homes, California Pacific Homes, Centex Homes, Corky McMillin Cos., D.R. Horton, Greystone Homes, Richmond American Homes, and TRI Pointe Homes, among others.

Further information regarding the Lewis Group is available from its website at lewisgroupofcompanies.com. *This internet address is included for reference only, and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet site.*

The Master Developer purchased Units 1, 2, 3, and 4 within Improvement Area B in July 2003, and subsequently sold Units 1, 3 and 4 to Discovery Homes, Richmond American Homes and TRI Pointe Homes, respectively. The Master Developer currently owns land within Improvement Area B consisting of 118 rough-graded lots in Unit 2. The Master Developer is developing the land within Unit 2 to finished lot condition and anticipates selling Unit 2 in 2020 to a merchant builder for development. See "THE DISTRICT AND IMPROVEMENT AREA B – Formation and Background" for a description regarding the status of development within the remainder of the Villages of Fairfield master planned community.

The Merchant Builders

Discovery Homes. Villages at Fairfield, LLC (referred to in this Official Statement as "**Discovery Homes**") is a California limited liability company founded in 1997 by Albert D. Seeno, III. Discovery Homes operates pursuant to an Operating Agreement dated as of February 10, 2016, and does business as Discovery Homes. Its members consist of Albert D. Seeno, Jr., as Trustee of the Albert D. Seeno, Jr. and Sandra L Seeno 1999 Living Trust 1, and Albert D. Seeno III, as Trustee of the Albert D. Seeno, III Revocable Trustee dated July 15, 2008 (collectively, the "**Discovery Homes Principals**").

Other development projects recently completed or underway involving the Discovery Homes Principals are shown in the table below.

Project Name	City in California	No. of Lots (Residential)
Magnolia	Brentwood	33
Villagio	Brentwood	160
Liberty	Pittsburg	57
Laurel Knoll	Martinez	74
Chestnut Grove	Concord	10
Creekside (unit 4)	Chico	100
Greystone Place	Pittsburg	74
La Vista	Concord	12
Oakley Knolls	Antioch	38

Further information regarding Discovery Homes is available from its website at www.discoveryhomes.com. *This internet address is included for reference only, and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet site.*

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

MDC has two primary operations, homebuilding and financial services. Its homebuilding operations consist of wholly owned subsidiary companies that generally purchase finished lots or develop lots to the extent necessary for the construction and sale primarily of single-family detached homes to first-time and first-time move-up homebuyers under the name "Richmond American Homes." MDC's financial services operations include subsidiary companies that provide mortgage financing, place title insurance and homeowner insurance for the Richmond American Homes' homebuyers, and provide general liability insurance for MDC subsidiaries and most of the Developer's subcontractors.

MDC is subject to the informational reporting requirements of the Securities Exchange Act of 1934 (the "**Exchange Act**"), and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the Securities Exchange Commission (the "**SEC**"). Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of MDC and its subsidiaries (e.g. see MDC's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as filed with the SEC on January 31, 2019). The SEC maintains an internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including MDC. The address for such internet website is www.sec.gov. All documents subsequently filed by MDC pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of MDC's Annual Report and related financial statements, are also available from MDC's website at www.richmondamerican.com. *Such internet websites are included for reference only and the information on these internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No* *representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet websites.*

TRI Pointe Homes. TRI Pointe Homes, Inc., a Delaware corporation (referred to in this Official Statement as "**TRI Pointe Homes**"), is a wholly-owned subsidiary of TRI Pointe Group, Inc., a Delaware corporation ("**TRI Pointe Group**"). TRI Pointe Group is a publicly traded company whose common stock is listed on the New York Stock Exchange under the symbol "TPH." TRI Pointe Group is engaged in the design, construction and sale of single-family homes through its portfolio of six quality brands across ten states, including Maracay Homes in Arizona, Pardee Homes in California and Nevada, Quadrant Homes in Washington, Trendmaker Homes in Texas, TRI Pointe Homes in California, Colorado, South Carolina and North Carolina and Winchester Homes in Maryland and Virginia.

TRI Pointe Group is subject to the informational reporting requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of TRI Pointe Group and its subsidiaries (e.g. see TRI Pointe Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as filed with the SEC on February 26, 2019).

The SEC maintains an internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including TRI Pointe Group. The address for such internet website is www.sec.gov. All documents subsequently filed by TRI Pointe Group pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of TRI Pointe Group's Annual Report and related financial statements, are also available from TRI Pointe Group's website at www.tripointegroup.com. *Such internet websites are included for reference only and the information on these internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet websites.*

The Development Plans

Master Developer Development Plan. The Master Developer currently owns land within Improvement Area B consisting of 118 rough-graded lots in Unit 2. The Master Developer is developing the land in Unit 2 to finished lot condition.

The Master Developer estimates that as of April 17, 2019, it will incur approximately $4,720,000 to finish the 118 rough-graded lots in Unit 2 and make them available for sale to a merchant builder, including all hard and soft costs. Work on Unit 2 is expected to start in summer 2020 and such lots would be sold to a home builder thereafter. The Master Developer expects to use internal funding to complete its development of Unit 2. In addition, the Master Developer is contractually obligated to construct approximately 100 feet of road at the entrance of Clay Bank Road and Merriment Place. As of April 17, 2019, the Master Developer estimated the cost to complete such road construction to be approximately $150,000, and as of the date hereof, such construction is substantially complete. The Master Developer believes that it will have sufficient funds available to complete its planned development in Unit 2 in accordance with the development schedule described above.

Although the Master Developer expects to have sufficient funds available to complete its development in Unit 2 in accordance with the development schedule described above, there can be no assurance that amounts necessary to finance the remaining development costs will be available from the Master Developer or any other source when needed. Neither the Master Developer nor any of its related entities are under any legal obligation of any kind to expend funds for the development of and construction of homes within the District. Any contributions by Master Developer to fund the costs of such development are entirely voluntary.

The land in Unit 2 is encumbered by a lien of a First Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the "**Deed of Trust**"), dated as of September 29, 2016, by and among the Master Developer, First American Title Company, as trustee, and Fairfield Holding Company, LLC, a Delaware limited liability company ("**Fairfield Holding**"), an affiliate of the Master Developer. The Deed of Trust secures a loan by Fairfield Holding to the Master Developer evidenced by a promissory note (the "**Note**"), which is currently outstanding in the principal amount of approximately $1.3 million. All unpaid principal and accrued but unpaid interest on the Note is due and payable on September 29, 2024. As of the date hereof, no default has occurred or is continuing under the Deed of Trust or the Note.

Under the terms of the Deed of Trust, the lien and charge of the Deed of Trust on Unit 2 shall be released in full upon the payment of a release price totaling approximately $1.3 million. The Master Developer anticipates paying such release price to Fairfield Holding in full contemporaneously with the sale of Unit 2 to a third-party merchant builder.

Discovery Homes Development Plan. Discovery Homes is developing Unit 1 known as "Avery at The Villages" into a total of 87 detached single-family homes. As of April 17, 2019, there were 4 model homes representing each of the four floor plans, which consist of the following:

- Alton (2,105 square feet);
- Barberry (2,602 square feet);
- Calero (2,841 square feet); and
- Darwin (3,106 square feet).

Discovery Homes' development plan for its property in Unit 1 is provided in the table below. Final sales and close-out of the development of its property in Unit 1 is anticipated to occur in July 2020, subject to market conditions.

Discovery Homes
Projected Development Plan

Begin Home Construction	Open Model Homes	First Home Sale Closings	Projected Final Home Sale Closing (1)	No. Floorplans	Square Footage*	Proposed Price Range
July 2018	September 2018	November 2018	July 2020	4	2,100 to 3,100	$550,000 to $675,000

(1) Subject to market conditions.
* Figures are approximate.
Source: Villages at Fairfield, LLC.

As of April 17, 2019, Discovery Homes had completed the construction of 24 of the 87 homes planned to be constructed within Unit 1, including 20 production homes which had been conveyed to individual homeowners and 4 completed model homes owned by Discovery Homes as of such date. As of April 17, 2019, an additional 22 production homes were under construction by Discovery Homes in Unit 1 and the remaining 41 lots were in finished lot condition and without building permits obtained therefor. As of June 30, 2019, 26 homes within Unit 1 were sold to individual homebuyers, 12 homes were under contract to be sold to individual homebuyers and a total of 59 building permits have been pulled. Sales contracts are subject to cancelation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers.

All of the backbone infrastructure required to serve Unit 1 has been completed by the Master Developer and no discretionary approvals or remediation is necessary in order for Discovery Homes to obtain the 28 building permits for Unit 1 remaining as of June 30, 2019. See "– Merchant Builders' Financing Plans – Discovery Homes Financing Plan" for a description of Discovery Homes' financing plan for its development of Unit 1.

Richmond American Homes Development Plan. Richmond American Homes is developing Unit 3 known as "Larkspur at The Villages" into a total of 93 detached single-family homes. Unit 3 consists of the following four floor plans:

- Aurora (2,100 square feet);
- Sterling (2,090 square feet);
- Sullivan (2,190 square feet); and
- Sienna (2,250 square feet).

Richmond American Homes' development plan for its property in Unit 3 is provided in the table below. Final sales and close-out of the development of its property in Unit 3 is anticipated to occur in November 2020, subject to market conditions.

Richmond American Homes
Projected Development Plan

Begin Home Construction	Open Model Homes	First Home Sale Closings	Projected Final Home Sale Closing (1)	No. Floorplans	Square Footage*	Proposed Price Range
June 2018	March 2018	November 2018	November 2020	4	2,090 to 2,250	\$499,000 to \$700,000

(1) Subject to market conditions.
* Figures are approximate.
Source: Richmond American Homes of Maryland, Inc.

As of April 17, 2019, Richmond American Homes had completed the construction of 18 of the 93 homes planned to be constructed within Unit 3, including 15 production homes which had been conveyed to individual homeowners and 3 completed model homes owned by Richmond American Homes as of such date. As of April 17, 2019, an additional 31 production homes were under construction by Richmond American Homes in Unit 3, and 44 lots were in finished lot condition with building permits obtained for all such finished lots. As of June 30, 2019, 29 homes within Unit 3 were sold to individual homebuyers, 5 homes were under contract to individual homebuyers and a total of 70 building permits have been pulled. Sales contracts are subject to cancelation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers.

All of the backbone infrastructure required to serve Unit 3 has been completed by the Master Developer and Richmond American Homes and no discretionary approvals or remediation is necessary in order for Richmond American Homes to obtain the 23 building permits for Unit 3 remaining as of June 30, 2019. See "– Merchant Builders' Financing Plans – Richmond American Homes Financing Plan" for a description of Richmond American Homes' financing plan for its development of Unit 3.

TRI Pointe Homes Development Plan. TRI Pointe Homes is developing Unit 4 known as "Lantana at The Villages" into a total of 133 detached single-family homes. Unit 4 consists of the following four floor plans:

- Residence 1 (1,817 square feet);
- Residence 2 (2,057 square feet);
- Residence 3 (2,254 square feet); and
- Residence 4 (2,427 square feet).

TRI Pointe Homes' development plan for its property in Unit 4 is provided in the table below. Final sales and close-out of the development of its property in Unit 4 is anticipated to occur in February 2021, subject to market conditions.

TRI Pointe Homes
Projected Development Plan

Begin Home Construction	Open Model Homes	First Home Sale Closings	Projected Final Home Sale Closing (1)	No. Floorplans	Square Footage*	Proposed Price Range
October 2018	October 2018	April 2018	February 2021	4	1,817 to 2,427	$455,000 to $500,000

(1) Subject to market conditions.
* Figures are approximate.
Source: TRI Pointe Homes, Inc.

As of April 17, 2019, TRI Pointe Homes had completed the construction of 6 of the 133 homes planned to be constructed within Unit 4, including 3 production homes which had been conveyed to individual homeowners and 3 completed model homes owned by TRI Pointe Homes as of such date. As of April 17, 2019, an additional 30 production homes were under construction by TRI Pointe Homes in Unit 4, 82 lots were in finished or near-finished lot condition with building permits obtained for 47 of such finished lots, and the remaining 15 lots were in partially finished lot condition. As of June 30, 2019, 19 homes within Unit 4 were sold to individual homebuyers, 2 homes were under contract to individual homebuyers and a total of 58 building permits have been pulled. Sales contracts are subject to cancelation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers.

All of the backbone infrastructure required to serve Unit 4 has been completed by the Master Developer and no discretionary approvals or remediation is necessary in order for TRI Pointe Homes to obtain the 75 building permits for Unit 4 remaining as of June 30, 2019. See "– Merchant Builders' Financing Plans – TRI Pointe Homes Financing Plan" for a description of Richmond American Homes' financing plan for its development of Unit 4.

Merchant Builders' Financing Plans

Discovery Homes Financing Plan. As of April 17, 2019, Discovery Homes estimates that it has spent approximately $16.2 million on developing Unit 1, including land cost, and that it expects the costs to complete such development, including, without limitation, the costs to complete its remaining home construction, marketing and sales for Unit 1, to be approximately $23.1 million. Discovery Homes plans to pay the cost of completing the development of its remaining property in Unit 1 with proceeds of remaining home sales, which Discovery Homes believes will be sufficient to complete the development in Unit 1 and meet its other obligations. In particular, Discovery Homes estimates that remaining home sale proceeds will be approximately

$41 million. At any particular time, if the amount of home sale proceeds received by Discovery Homes is insufficient to cover remaining costs due to timing differences between when the costs are incurred and when homes sales close, Discovery Homes would utilize equity contributions of Discovery Homes Principals for such purpose. As of April 17, 2019, Discovery Homes had approximately $1 million in cash on hand.

Although Discovery Homes expects to have sufficient funds available to complete its planned construction of homes in Unit 1, no assurance can be given that the sources of financing available to Discovery Homes will be sufficient to complete the construction as currently anticipated. While Discovery Homes has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Discovery Homes nor any affiliate thereof has any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal funds are inadequate to pay the costs to complete Discovery Homes' planned home construction in Unit 1 and other financing by Discovery Homes is not put into place, there could be a shortfall in the funds required to complete the proposed home construction by Discovery Homes.

Richmond American Homes Financing Plan. As of April 17, 2019, Richmond American Homes estimates that it has spent approximately $9.2 million on developing its property in Unit 3, including land cost, and that it expects the costs to complete such development, including, without limitation, the costs to complete its remaining home construction, marketing and sales for Unit 3, to be approximately $16.8 million.

To date, Richmond American Homes has financed its land acquisition, site development and home construction costs related to its property in Unit 3 through internally generated funds. Richmond American Homes expects to use home sales revenue and internally generated funds to complete its development of its property in Unit 3. Richmond American Homes believes that it will have sufficient funds available to complete the proposed development of its property as described in this Official Statement commensurate with the development timing described in this Official Statement.

Although Richmond American Homes expects to have sufficient funds available to complete its planned construction of homes in Unit 3, no assurance can be given that the sources of financing available to Richmond American Homes will be sufficient to complete the construction as currently anticipated. While Richmond American Homes has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Richmond American Homes nor any affiliate thereof has any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal financing and home sales revenues are inadequate to pay the costs to complete Richmond American Homes' planned home construction in Unit 3 and other financing by Richmond American Homes is not put into place, there could be a shortfall in the funds required to complete the proposed home construction by Richmond American Homes.

TRI Pointe Homes Financing Plan. As of April 17, 2019, TRI Pointe Homes estimates that it has spent approximately $22.4 million on developing Unit 4, including land cost, and that it expects the costs to complete such development, including, without limitation, the costs to complete its remaining home construction, marketing and sales for Unit 4, to be approximately $36.8 million. TRI Pointe Homes finances its land acquisition and home construction costs related to its activities in Unit 4 through internal sources, including funding from its parent, TRI Pointe Group. TRI Pointe Homes intend to use this source of funds, together with proceeds of future home sales, to finance its remaining home construction costs and carrying costs for its activities in Unit 4 (including the payment of property taxes and the Special Taxes) until full sell-out of all of its planned homes in Unit 4. However, home sales revenues from its activities in Improvement

Area B are not segregated and set aside for completing the homes in Improvement Area B. Home sales revenue is swept daily from TRI Pointe Homes and TRI Pointe Group for use in corporate operations, to pay down debt and for other corporate purposes and might get diverted to other TRI Pointe Group needs at the discretion of management. Notwithstanding the foregoing, TRI Pointe Homes believe that it will have sufficient funds to complete its construction of homes in Unit 4.

As of March 31, 2019, TRI Pointe Group was a party to a Second Amended and Restated Credit Agreement with U.S. Bank and other lenders dated as of March 29, 2019, which consists of a $600 million unsecured revolving credit facility (the "**TRI Pointe Group Revolving Facility**") and a $250 million term loan facility (the "**TRI Pointe Group Term Facility**" and together with the TRI Pointe Group Revolving Facility, the "**TRI Pointe Group Credit Facility**"), each of which matures on March 29, 2023. The TRI Pointe Group Term Facility includes a 90-day delayed draw provision. The TRI Pointe Group Revolving Facility contains a sublimit of $75 million for letters of credit. TRI Pointe Group may increase the TRI Pointe Group Credit Facility to not more than $1 billion in the aggregate, at its request, upon satisfaction of specified conditions. TRI Pointe Group may borrow under the TRI Pointe Group Credit Facility in the ordinary course of business to fund its land acquisition and operations, including its land development and homebuilding activities. The TRI Pointe Group Credit Facility contains a borrowing base and certain covenants which may limit the amount TRI Pointe Group may borrow or have outstanding at any time. As of March 31, 2019, TRI Pointe Group had no outstanding balance under the TRI Pointe Group Credit Facility and $818.8 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of March 31, 2019, TRI Pointe Group had outstanding letters of credit of $31.2 million. TRI Pointe Group's ability to renew the TRI Pointe Group Credit Facility in the future is dependent upon a number of factors including the state of the commercial lending environment, the willingness of banks to lend to homebuilders and TRI Pointe Group's financial condition and strength.

Although TRI Pointe Homes expects to have sufficient funds available to complete its planned construction of homes in Unit 4, no assurance can be given that the sources of financing available to TRI Pointe Homes will be sufficient to complete the construction as currently anticipated. While TRI Pointe Group has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither of TRI Pointe Homes nor any affiliate thereof has any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal financing and home sales revenues are inadequate to pay the costs to complete TRI Pointe Homes' planned home construction within Improvement Area B and other financing by TRI Pointe Homes is not put into place, there could be a shortfall in the funds required to complete the proposed home construction by TRI Pointe Homes.

BOND OWNERS' RISKS

The purchase of the 2019A 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 which should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the 2019A Bonds.

Limited Obligation of the City to Pay Debt Service

The City has no obligation to pay principal of and interest on the 2019A Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the 2019 Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. The City is not obligated to advance funds to pay Debt Service on the 2019A Bonds.

Potential Early Redemption of Bonds from Special Tax Prepayments

Property owners within the District are permitted to prepay the Special Taxes at any time. Any such payments will result in a mandatory redemption of Bonds from Special Tax prepayments on the next Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of any such Special Tax prepayment. Any resulting redemption of 2019A Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such 2019A Bonds. See "THE 2019A BONDS – Redemption – Redemption from Special Tax Prepayments."

Levy and Collection of the Special Tax

General. The principal source of payment of principal of and interest on the 2019A Bonds is the proceeds of the annual levy and collection of the Special Tax against property within Improvement Area B.

Limitation on Maximum Special Tax Rate. The annual levy of the Special Tax is subject to the maximum annual Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay Debt Service on the 2019A Bonds.

No Relationship Between Property Value and Special Tax Levy. Because the Special Tax formula set forth in the Rate and Method 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 Property 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 Property and their proportionate share of Debt Service on the 2019A Bonds, and certainly not a direct relationship.

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

Transfers to Governmental Entities. The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity 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. See "– Exempt Properties" below.

Property Tax Delinquencies. Failure of the owners of Taxable Property 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 Tax revenues. See "– Property Tax Delinquencies" below.

Delays Following Special Tax Delinquencies and Foreclosure Sales. The Fiscal Agent Agreement generally 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 2019A BONDS – Covenant to Foreclose" and in the 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 deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the 2019A Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the District of the proceeds of sale if the 2019 Reserve Fund is depleted. See "SECURITY FOR THE 2019A BONDS – Covenant to Foreclose."

The ability of the City to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which a federal governmental agency has or obtains an interest. See "– FDIC/Federal Government Interests in Properties" below.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment, and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

Property Tax Delinquencies

General. Delinquencies in the payment of property taxes and, consequently, the Special Taxes, can occur because the owners of delinquent parcels may not have received property tax bills from the County in a timely manner, including situations in which the County initially sent property tax bills to the property developer or merchant builder at a time when the parcels in question had already been sold to individual homeowners. Delinquencies can also reflect economic difficulties and duress by the property owner.

Numerous future delinquencies by the owners of Taxable Property in Improvement Area B in the payment of property taxes (and, consequently, the Special Taxes, which are collected on the ordinary property tax bills) when due could result in a deficiency in Special Tax revenues necessary to pay Debt Service on the 2019A Bonds, which could in turn result in the depletion of the 2019 Reserve Fund, prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax. See "SECURITY FOR THE 2019A BONDS – 2019 Reserve Fund," and "THE DISTRICT AND IMPROVEMENT AREA B – Potential Consequences of Special Tax Delinquencies."

Measures to Mitigate Consequences of Continuing Delinquencies. The City intends to take certain actions designed to mitigate the impact of future delinquencies, including: enforcing the lien of the Special Taxes through collection procedures that will include foreclosure actions under certain circumstances (see "SECURITY FOR THE 2019A BONDS – Covenant to Foreclose"); and increasing the levy of Special Taxes against non-delinquent property owners in Improvement Area B, to the extent permitted under the Rate and Method and the Act and to the extent the Special Taxes are not already being levied at the maximum Special Tax rate. See "THE DISTRICT AND IMPROVEMENT AREA B – Potential Consequences of Special Tax Delinquencies."

Limitations on Increases in Special Tax Levy. If property owners are delinquent in the payment of the Special Tax, the City may not increase Special Tax levies to make up for delinquencies for prior fiscal years above the maximum annual Special Tax rates specified in the Rate and Method.

In addition, the City's ability to increase Special Tax levies on residential property to make up for delinquencies for prior Fiscal Years is limited by Section 53321(d) of the Act, which provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2019A Bonds.

Risks Related to Homeowners with High Loan to Value Ratios

Any future decline in home values in Improvement Area B could result in property owner unwillingness or inability to pay mortgage payments, as well as ad valorem property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes.

It is possible that laws could be enacted in the future to assist homeowners in default in the payment of mortgages and property taxes. It is further possible that federal laws could be enacted that would adversely impact the ability of the City to foreclose on parcels with delinquent Special Taxes. No assurance can be given that any such laws will be enacted, or if enacted will be effective in assisting affected homeowners.

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

An owner of Taxable Property is not personally obligated to pay the Special Taxes. Rather, the Special Taxes are an obligation running only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the City, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the affected parcels of Taxable Property, the City has no recourse against the owner.

Appraised Values

The Appraisal summarized in Appendix H estimates the market value of the Taxable Property within Improvement Area B. This market value is merely the opinion of the Appraiser as of the date of value set forth in the Appraisal, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought an updated opinion of value by the Appraiser subsequent to the date of value of the Appraisal, or an opinion of the value of the Taxable Property by any other appraiser. A different opinion of value might be rendered by a different appraiser.

The opinion of value assumes a sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion of value is made as of the date of value set forth in the Appraisal, based upon facts and circumstances existing as of the date of value. Differing facts and circumstances may lead to differing opinions of value. The appraised value is not evidence of future value because future facts and circumstances may differ significantly from the facts and circumstances at the time the Appraisal was prepared.

No assurance can be given that any of the Taxable Property in Improvement Area B could be sold for the estimated market value contained in the Appraisal if that property should become delinquent in the payment of Special Taxes and be foreclosed upon.

See "APPENDIX H – APPRAISAL REPORT AND SUPPLEMENT TO APPRAISAL REPORT."

Property Values

The value of Taxable Property within Improvement Area B is a critical factor in determining the investment quality of the 2019A Bonds. If a property owner defaults in the payment of the Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic and other factors beyond the City's control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, landslides, wildfires, or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

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

Risks Related to Availability of Mortgage Loans. The state of the world-wide capital markets may adversely affect the availability of mortgage loans to homeowners, including potential buyers of homes within Improvement Area B. Any such unavailability could hinder the ability of the current homeowners to resell their homes, or the sale of newly completed homes in the future.

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

The City, like all northern California communities, is likely to be subject to unpredictable seismic activity, fires, floods or other natural disasters. If there were a severe seismic, flood or fire event or other natural disaster in the City, there could be substantial damage to and interference with the City.

Seismic Activity. The City is located along the eastern edge of the seismically active Coast Ranges of California. Active faults near the City include the Green Valley and Cordelia faults. Most large earthquakes in the Bay Area have occurred along the major faults including the San Andreas, Hayward, Calaveras faults, which are located 20 to 45 miles west and south of the City.

The closest mapped fault to Improvement Area B is the Vaca fault zone (Vaca fault, not considered active), located within approximately 500 feet of the northwest corner of the project site. The closest active fault displaying surface expression is the Green Valley fault, located approximately 8 miles west of Improvement Area B. The maximum magnitude earthquake (the "**Mmax**") assumed for the Green Valley fault in this region is 6.8. The Mmax is the maximum earthquake believed possible for the fault.

***Flooding Hazards**.* The District is located in an area of minimal flooding according to FEMA. In particular, Improvement Area B is located in an area designated by FEMA as being within Zone X, with a 0.02% chance of flooding in any given year.

Fire Hazards. Significant portions of the foothill watershed areas surrounding the City are threatened with wildfire risk, and these areas present a dangerous combination of factors. "Extreme Wildfire Risk Areas," are those lands where severe burning conditions prevail (chaparral and heavy woodland, steep slopes, poor access, winds). In the City, this includes the hilly areas to the west and northwest, the Cement Hill area, the hills above Green Valley and the hills above Interstate 80 and 680 just south of Cordelia.

Recent Drought. With respect to droughts specifically, the State has faced water shortfalls in recent years. On January 17, 2014, the Governor Brown declared a state of drought emergency, calling on Californians to conserve water, and subsequent conservation orders and regulations were imposed by the Governor Brown and the California State Water Resources Control Board (the "**Water Board**").

With unprecedented water conservation and plentiful rain- and snowfall in the State throughout the end of 2016 and the beginning of 2017, Governor Brown issued Executive Order B-40-17 on April 7, 2017 (the "**2017 Executive Order**"), which lifted the January 17, 2014 drought declaration in all Counties except the Counties of Fresno, Kings, Tulare, and Tuolumne, where diminished groundwater supply issues remain. The 2017 Executive Order also directed the Water Board to rescind the water supply stress tests for urban water suppliers, as well any remaining mandatory conservation standards. These rescissions notwithstanding, the 2017 Executive Order instructed the Water Board to maintain urban water use reporting requirements and prohibitions on wasteful water-use practices in order to preserve and promote Statewide water conservation efforts.

Notwithstanding the improved water conditions, the City cannot predict or make any representations regarding the effects that the recent drought and related conditions had or may have on the value of taxable property within Improvement Area B, or to what extent the effects the recent drought may have had on economic activity in Improvement Area B.

***Legal Requirements*.** Other events that may affect the value of Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable 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 Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The property values set forth in this Official Statement do not take into account the possible reduction in marketability and value of any of the Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the City is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property 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 value of Taxable Property that is realizable upon a delinquency.

There can be no assurance that the discovery, release or classification of additional hazardous substances will not affect the value of Taxable Property in Improvement Area B.

Future Property Development

Continuing development of the parcels in Improvement Area B may be adversely affected by changes in general or local economic conditions, fluctuations in or a deterioration of the real estate market, increased construction costs, development, financing and marketing capabilities of the developer, water or electricity shortages, discovery on the undeveloped property of any plants or animals in their habitat that have been listed as endangered species, and other similar factors. Development in Improvement Area B may also be affected by development in surrounding areas, which may compete with the property in Improvement Area B.

Other Possible Claims Upon the Value of Taxable Property

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

The tables in the sections entitled "THE DISTRICT AND IMPROVEMENT AREA B – Direct and Overlapping Governmental Obligations" and "– Estimated Tax Burden on Single-Family Homes" show the presently outstanding amount of governmental obligations, the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. The tables do not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

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 of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the 2019A Bonds.

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax 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. In the event of proceedings to foreclose for delinquency of Special Taxes securing the 2019A Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See "– Bankruptcy Delays" below.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the 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 Improvement Area B 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. See "SECURITY FOR THE 2019A BONDS – Rate and Method."

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

FDIC/Federal Government Interests in Properties

General. The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, the Federal National Mortgage Association, 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 but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

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

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2019A Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within Improvement Area B is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "**Policy Statement**") provides that 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 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 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 has 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 City is 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 Improvement Area B in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the 2019 Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the 2019A Bonds.

Depletion of 2019 Reserve Fund

The 2019 Reserve Fund is to be maintained at an amount equal to the 2019 Reserve Requirement for the 2019A Bonds and any Related Parity Bonds. See "SECURITY FOR THE 2019A BONDS – 2019 Reserve Fund." The 2019 Reserve Fund will be used to pay principal of and interest on the 2019A Bonds (and any Related Parity Bonds) if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within Improvement Area B of the District. If the 2019 Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Taxes that exceed the amounts to be paid to the owners of the 2019A Bonds (and any Related Parity Bonds) under the Fiscal Agent Agreement. However, because the Special Tax levy is limited to the maximum annual Special Tax rates, it is possible that no replenishment would be possible if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that the 2019 Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Taxes.

Bankruptcy Delays

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE 2019A BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2019A Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2019A Bonds.

In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the 2019A Bonds and the possibility of delinquent Special Taxes not being paid in full.

The chances are increased that the 2019 Reserve Fund established for the 2019A Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the 2019 Reserve Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the 2019A Bonds on a timely basis.

Cyber Security

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City or the District, or the administration of the 2019A Bonds. The City is also reliant on other entities and service providers in connection with the administration of the 2019A Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes, the Fiscal Agent, and the Dissemination Agent. No assurance can be given that the City, the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Disclosure to Future Purchasers

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

No Acceleration Provisions

The 2019A Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2019A Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bondholder is given the right for the equal benefit and protection of all Bond owners similarly situated to pursue certain remedies. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT." So long as the 2019A Bonds are in book-entry form, DTC will be the sole Bondholder and will be entitled to exercise all rights and remedies of Bond holders.

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS – Tax Exemption," interest on the 2019A Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2019A Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2019A Bonds were to become includable in gross income for purposes of federal income taxation, the 2019A Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Taxes. See "THE 2019A BONDS – Redemption."

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the "**IRS**") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2019A Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2019A Bonds might be affected as a result of such an audit of such 2019A Bonds (or by an audit of similar bonds or securities).

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

Future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2019A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bondowners from realizing the full current benefit of the tax status of such interest.

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 2019A Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIIIC and XIIID 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 XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA 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 XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes ("special taxes") require a two-thirds vote.

The Special Taxes and the 2019A Bonds were each authorized by not less than a two-thirds vote of the landowners within Improvement Area B of the District who constituted the qualified electors at the time of such voted authorization. The City believes, therefore, that issuance of the 2019A Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the City and its obligations 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.

For example, in August 2014, in *City of San Diego. v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego to authorize the levying of special taxes on hotels city-wide pursuant to a city charter ordinance creating a convention center facilities district which specifically defined the electorate to consist solely of (1) the owners of real property in the city on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located. The court held that such landowners and lessees are neither "qualified electors" of the city for purposes of Articles XIII A, Section 4 of the California Constitution, nor a proper "electorate" under Article XIIIC, Section 2(d) of the California Constitution. The court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes under Section 53326(b) of the Act (which was the nature of the voter approval through which the District and Improvement Area B were formed) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. Accordingly, this case should have no effect on the levy of the Special Taxes by the City.

The City cannot predict the ultimate outcome or effect of any such judicial scrutiny, legislative actions, or future initiatives. These initiatives, and any future initiatives, 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 2019A Bonds.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2019A Bonds or, if a secondary market exists, that any 2019A 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 2019A Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Tax Code), or changes in interpretation of the Tax Code, or any action of the IRS, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2019A Bonds for audit examination, or the course or result of any IRS audit or examination of the 2019A Bonds or obligations that present similar tax issues as the 2019A Bonds.

LEGAL MATTERS

Legal Opinions

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the 2019A Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as Appendix G.

Jones Hall, A Professional Law Corporation, San Francisco, California, has also served as Disclosure Counsel to the City. Richards, Watson and Gershon, San Francisco, California, will pass upon certain legal matters for the City. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is serving as counsel to the Underwriter.

Tax Exemption

Federal Tax Status. 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 2019A 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.

The opinions set forth in the preceding paragraph are subject to the condition that 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 2019A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2019A Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2019A 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 at which a 2019A 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 are 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 2019A 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 2019A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2019A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2019A Bonds who purchase the 2019A Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2019A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2019A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2019A Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2019A Bond (said term being the shorter of the 2019A 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 2019A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2019A Bond is amortized each year over the term to maturity of the 2019A 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 2019A Bond premium is not deductible for federal income tax purposes. Owners of premium 2019A 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 2019A Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2019A Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2019A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2019A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2019A Bonds, or as to the consequences of owning or receiving interest on the 2019A Bonds, as of any future date. Prospective purchasers of the 2019A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2019A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2019A Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2019A Bonds, the ownership, sale or disposition of the 2019A Bonds, or the amount, accrual or receipt of interest on the 2019A Bonds.

No Litigation

At the time of delivery of the 2019A Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the City has been served with process or threatened, which:

- in any way questions the powers of the City Council or the City or the District, or

- in any way questions the validity of any proceeding taken by the City Council in connection with the issuance of the 2019A Bonds, or

- wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the purchase contract with respect to the 2019A Bonds, or

- which, in any way, could adversely affect the validity or enforceability of the resolutions of the City Council adopted in connection with the formation of the District and Improvement Area B or the issuance of the 2019A Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Certificate or the purchase contract with respect to the 2019A Bonds, or

- to the knowledge of the City, in any way questions the exclusion from gross income of the recipients thereof of the interest on the 2019A Bonds for federal income tax purposes, or

- in any other way questions the status of the 2019A Bonds under State tax laws or regulations.

CONTINUING DISCLOSURE

The City. The City will covenant for the benefit of owners of the 2019A Bonds to provide certain financial information and operating data relating to Improvement Area B of the District and the 2019A Bonds by not later than nine months after the end of the City's fiscal year (currently March 31 based on the District's fiscal year end of June 30) (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX E – FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE."

The City previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. The City has not failed to comply in all material aspects with any previous undertakings with regard to the Rule in the past five years.

Any failure by the City to comply with the provisions of its undertaking will not constitute a default under the Fiscal Agent Agreement (although owners of the 2019A Bonds will have any remedy available at law or in equity as provided in the undertaking). Nevertheless, a failure to comply must be reported in accordance with the Rule. Such a failure may adversely affect the transferability and liquidity of the 2019A Bonds.

To ensure compliance with its continuing disclosure undertakings under the Rule in the future, the City has appointed the City's Finance Director to coordinate the preparation and filing of annual disclosure reports in accordance with the City's disclosure undertakings and has adopted policies and procedures related thereto. The City has also engaged Willdan Financial Services to serve as its dissemination agent and assist the City in complying with its continuing disclosure undertakings.

Master Developer. The Master Developer will covenant in a continuing disclosure certificate, the form of which is set forth in Appendix F to this Official Statement (the "**Property Owner Continuing Disclosure Certificate**"), for the benefit of holders and beneficial owners of the 2019A Bonds, to provide certain information relating to itself and the status of its property within Improvement Area B on a semi-annual basis, beginning on March 1, 2020, and to provide notices of the occurrence of certain enumerated events. See "APPENDIX F – FORM OF PROPERTY OWNER CONTINUING DISCLOSURE CERTIFICATE."

The Master Developer is not an obligated person as defined under the Rule.

The obligations of the Master Developer under its Property Owner Continuing Disclosure Certificate will terminate when the property owned by it within Improvement Area B is no longer obligated to pay 15% or more of the Special Taxes within Improvement Area B.

The Master Developer is not aware of any material failures by it to comply with previous continuing disclosure undertakings by it to provide periodic continuing disclosure reports or notices of material events within the past five years.

Discovery Homes. Discovery Homes will covenant in a continuing disclosure certificate, the form of which is set forth in Appendix F to this Official Statement, for the benefit of holders and beneficial owners of the 2019A Bonds, to provide certain information relating to itself and the status of its property within Improvement Area B on a semi-annual basis, beginning on March 1, 2020, and to provide notices of the occurrence of certain enumerated events. See “APPENDIX F – FORM OF PROPERTY OWNER CONTINUING DISCLOSURE CERTIFICATE.”

Discovery Homes is not obligated person as defined under the Rule.

The obligations of Discovery Homes under its Property Owner Continuing Disclosure Certificate will terminate when the property owned by it within Improvement Area B is no longer obligated to pay 15% or more of the Special Taxes within Improvement Area B.

Discovery Homes is not aware of any material failures by it to comply with previous continuing disclosure undertakings by it to provide periodic continuing disclosure reports or notices of material events within the past five years.

Richmond American Homes. Richmond American Homes will covenant in a continuing disclosure certificate, the form of which is set forth in Appendix F to this Official Statement, for the benefit of holders and beneficial owners of the 2019A Bonds, to provide certain information relating to itself and the status of its property within Improvement Area B on a semi-annual basis, beginning on March 1, 2020, and to provide notices of the occurrence of certain enumerated events. See “APPENDIX F – FORM OF PROPERTY OWNER CONTINUING DISCLOSURE CERTIFICATE.”

Richmond American Homes is not obligated person as defined under the Rule.

The obligations of Richmond American Homes under its Property Owner Continuing Disclosure Certificate will terminate when the property owned by it within Improvement Area B is no longer obligated to pay 15% or more of the Special Taxes within Improvement Area B.

In the previous 5 years, the Northern California division of Richmond American Homes failed to file its first periodic report due December 31, 2017 with respect to City of Dixon Community Facilities District No. 2015-1 (Valley Glen No.2) 2017 Bonds, which Richmond American Homes subsequently filed on March 28, 2018. This is the first known continuing disclosure undertaking by Richmond American Homes’ Northern California Division. Richmond American Homes’ Northern California Division has since engaged Development Planning & Financing Group, Inc. (“**DPFG”)** to facilitate compliance with its disclosure undertakings. Identification of the above-described event does not constitute a representation by Richmond American Homes that such event was material.

TRI Pointe Homes. TRI Pointe Homes will covenant in a continuing disclosure certificate, the form of which is set forth in Appendix F to this Official Statement, for the benefit of holders and beneficial owners of the 2019A Bonds, to provide certain information relating to itself and the status of its property within Improvement Area B on a semi-annual basis, beginning on March 1, 2020, and to provide notices of the occurrence of certain enumerated events. See "APPENDIX F – FORM OF PROPERTY OWNER CONTINUING DISCLOSURE CERTIFICATE."

TRI Pointe Homes is not obligated person as defined under the Rule.

The obligations of TRI Pointe Homes under its Property Owner Continuing Disclosure Certificate will terminate when the property owned by it within Improvement Area B is no longer obligated to pay 15% or more of the Special Taxes within Improvement Area B.

TRI Pointe Homes is not aware of any material failures by it to comply with previous continuing disclosure undertakings by it relating to assessment or community facilities districts in California to provide periodic continuing disclosure reports or notices of material events within the past five years.

NO RATING

The City has not obtained a credit rating on the 2019A Bonds. Nothing should be assumed from any credit rating that the City may obtain for other purposes. Prospective purchasers of the 2019A Bonds are required to make independent determinations as to the credit quality of the 2019A Bonds and their appropriateness as an investment.

UNDERWRITING

The 2019A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), at a purchase price of $23,215,212.60 (which represents the aggregate principal amount of the 2019A Bonds ($19,865,000.00), plus net original issue premium of $3,525,522.60, less an Underwriter's discount of $175,310.00).

The purchase agreement relating to the 2019A Bonds provides that the Underwriter will purchase all of the 2019A Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2019A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

PROFESSIONAL FEES

In connection with the issuance of the 2019A Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the 2019A Bonds. Those professionals include:

- the Underwriter;
- Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel;
- PFM Financial Advisors LLC, as municipal advisor;
- Goodwin Consulting Group, Inc., as special tax consultant;
- The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent.

EXECUTION

The execution and delivery of the Official Statement by the City have been duly authorized by the City Council, acting as the legislative body of the District.

CITY OF FAIRFIELD

By: /s/ Emily Combs
Finance Director

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF FAIRFIELD AND SOLANO COUNTY

*The following information concerning the City of Fairfield (the "**City**") and Solano County (the "**County**") are included only for the purpose of supplying general information regarding the community. The 2019A Bonds are not a debt of the City, the County, the State of California (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.*

General

The City, which comprises approximately 37 square miles, is located in the County approximately 44 miles northeast of San Francisco and 42 miles west of Sacramento. The City is served by Interstate 80, the major freeway link between San Francisco and Sacramento, as well as Highway 12, a connecting freeway from Interstate 80 to Napa Valley.

Historically, the City's economy has been based upon agriculture and related industries; the City has served as a commerce center for agriculture in its region for over 100 years. In recent years, the City has transformed its economic base as a result of significant residential, industrial and commercial building activity occurring over the past several years. The City has been proactive in providing commercial/industrial development opportunities, and has formed several assessment districts to finance public improvements required by new projects. This rapid expansion in manufacturing, logistics, warehousing and distribution has led to substantial growth in population and employment.

Another major contributor to the City's economy is Travis Air Force Base, the largest employer of both the City and the County. As of September 30, 2016 (the date of Travis Air Force Base's latest economic impact report), the partnership between Travis Air Force Base and the County generated 4,839 indirect jobs, totaling an estimated annual dollar value of $249,653,812. Travis Air Force Base also awarded more than $111 million worth of contracts to local businesses for work on construction, operations and maintenance of base infrastructure projects.

Municipal Government

The City was incorporated in 1892 and operates under a council/manager form of government. All municipal departments operate under the supervision of the City Manager. The City Council consists of a Mayor elected at large for a four-year term and four other Council members elected at large for overlapping four-year terms.

Population

The Fairfield area experienced significant growth over the 1980's. The population of the City was 58,099 as of the 1980 census. By January 1, 1990 the population of the City was estimated to be 77,211, a percentage increase of approximately 33% over this ten-year period. Further growth occurred during the 1990's, when the population grew another 25% over this ten-year period. From 2000 to 2010, the population continued to expand, increasing by approximately 9.5% over that period.

Population estimates for calendar years 1980, 1990, 2000, 2010, and the past five years in the City, the County, and the State are shown in the following table.

CITY OF FAIRFIELD, COUNTY OF SOLANO AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 1980, 1990, 2000, 2010, and 2015 through 2019

Year	City of Fairfield	Solano County	State of California
1980	58,099	235,203	23,668,562
1990	77,211	339,471	29,758,213
2000	96,178	394,930	33,873,086
2010	105,321	413,344	37,253,956
2015	112,182	427,148	38,912,464
2016	113,173	430,907	39,179,627
2017	115,346	436,640	39,500,973
2018	115,966	439,102	39,740,508
2019	117,149	441,307	39,927,315

Source: California State Department of Finance, as of January 1.

Employment and Industry

The unemployment rate in the County was 4.6% in March 2019, up from a revised 4.4% in February 2019, and above the year-ago estimate of 4.2%. This compares with an unadjusted unemployment rate of 4.6% for the State and 3.9% for the nation during the same period.

The table below shows the Vallejo-Fairfield Metropolitan Statistical Area's labor patterns during 2014 through 2018.

VALLEJO-FAIRFIELD METROPOLITAN STATISTICAL AREA
(SOLANO COUNTY)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
(March 2018 Benchmark)

	2014	2015	2016	2017	2018
Civilian Labor Force (1)	202,800	205,000	207,400	208,400	209,700
Employment	187,500	192,500	196,000	198,500	201,600
Unemployment	15,200	12,600	11,400	9,900	8,200
Unemployment Rate	7.5%	6.1%	5.5%	4.8%	3.9%
Wage and Salary Employment: (2)					
Agriculture	1,800	1,800	1,800	1,700	1,700
Natural Resources and Mining	500	500	500	500	600
Construction	8,400	9,000	10,300	10,400	11,300
Manufacturing	11,000	11,700	11,900	12,400	12,500
Wholesale Trade	4,300	4,400	4,100	4,300	4,600
Retail Trade	17,500	18,400	18,600	18,700	18,700
Trans., Warehousing, Utilities	4,000	4,300	4,500	4,500	4,700
Information	1,100	1,100	1,100	1,100	1,100
Finance and Insurance	3,500	3,500	3,600	3,600	3,600
Professional and Business Services	10,400	10,400	10,200	10,500	10,800
Educational and Health Services	23,100	24,200	25,700	26,800	27,400
Leisure and Hospitality	14,300	14,800	15,100	15,200	15,300
Other Services	4,000	4,100	4,100	4,300	4,200
Federal Government	3,700	3,700	3,700	3,700	3,500
State Government	5,200	5,200	5,300	5,300	5,300
Local Government	15,600	15,900	16,200	16,100	16,000
Total all Industries (3)	129,500	134,100	138,000	140,400	143,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Largest Employers

Employment in the City area traditionally is centered around food processing, financial and service employees and the public sector. The following table lists some of the largest employers located within the City.

CITY OF FAIRFIELD
Largest Employers
June 30, 2018

Employer Name	Type	Jobs
Travis Air Force Base	Military Base	13,414
Fairfield-Suisun Unified School District	Education	2,213
County of Solano	Government	2,633
Northbay Medical Center	Hospital	1,969
Solano Community College	Education	750
Partnership Health Plan	Healthcare Group	561
City of Fairfield	Government	553
Jelly Belly Candy Co.	Candy & Confections	489
Sutter Regional Medical Foundation	Insurance	475
Westamerica Bancorporation	Banking	418

Source: City of Fairfield Comprehensive Annual Financial Report for fiscal year ended June 30, 2018.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the calendar years 2015 through 2019.

EFFECTIVE BUYING INCOME
For Calendar Years 2015 Through 2019

	Year and Area	Total Effective Buying Income (000s omitted)	Median Household Effective Buying Income
2015	City of Fairfield	$2,414,508	$53,906
	County of Solano	9,934,308	54,340
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	City of Fairfield	$2,594,525	$56,931
	County of Solano	10,690,163	57,332
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Fairfield	$2,814,985	$61,501
	County of Solano	11,370,811	60,401
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Fairfield	$2,968,591	$63,262
	County of Solano	11,739,608	61,626
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Fairfield	$3,459,326	$69,626
	County of Solano	13,210,567	67,406
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Commercial Activity

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable transactions in the City during the first quarter of calendar year 2018 were reported to be $457.2 million, a 0.49% decrease over the total taxable transactions of $459.5 million reported during the first quarter of calendar year 2017. Annual figures for calendar year 2018 are not yet available.

CITY OF FAIRFIELD
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
($000s)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	1,420	$1,220,506	2,043	$1,666,580
2014	1,402	1,293,090	2,047	1,823,679
2015[(1)]	1,495	1,352,355	2,306	1,912,826
2016	1,489	1,374,043	2,322	1,909,699
2017	1,550	1,396,811	2,390	1,924,718

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable transactions in the County during the first quarter of calendar year 2018 were reported to be $1.79 billion, a 2.39% increase over the total taxable transactions of $1.74 billion reported during the first quarter of calendar year 2017. Annual figures for calendar year 2018 are not yet available.

SOLANO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
($000s)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	5,693	$4,344,846	8,129	$6,377,402
2014	5,741	4,547,857	8,206	6,700,391
2015[(1)]	3,233	4,687,466	9,265	6,961,047
2016	6,042	4,851,514	9,408	7,192,098
2017	6,212	5,051,330	9,627	7,579,125

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

CITY OF FAIRFIELD
Total Building Permit Valuations
(Valuations in Thousands)*

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$36,934.8	$85,386.2	$107,025.2	$57,186.4	$67,690.1
New Multi-family	0.0	0.0	27,705.9	9,554.0	0.0
Res. Alterations/Additions	5,961.6	15,923.7	10,409.9	13,562.5	9,124.3
Total Residential	42,896.4	101,310.0	145,141.0	80,302.9	$76,814.4
New Commercial	12,447.8	14,112.6	31,991.3	23,764.8	10,569.3
New Industrial	8,860.1	19,289.2	0.0	29,296.8	9,366.0
New Other	1,211.2	0.0	5,600.0	2,406.5	1,427.2
Com. Alterations/Additions	17,403.2	12,432.7	21,905.9	15,701.2	26,955.5
Total Nonresidential	39,922.3	45,834.4	59,497.2	71,169.3	48,318.0
New Dwelling Units					
Single Family	217	316	389	200	267
Multiple Family	0	0	275	63	0
TOTAL	217	316	664	263	267

Source: Construction Industry Research Board, Building Permit Summary.
** Subtotals may not foot due to rounding.*

COUNTY OF SOLANO
Total Building Permit Valuations
(Valuations in Thousands)*

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$109,649.8	$170,575.2	$281,379.9	$251,088.8	$218,841.3
New Multi-family	27,083.8	0.0	32,105.8	9,554.0	6,071.7
Res. Alterations/Additions	27,713.7	47,365.2	41,093.4	47,072.6	55,571.1
Total Residential	164,447.3	217,940.4	354,579.1	307,715.4	$280,484.1
New Commercial	38,581.2	62,182.3	114,798.3	53,048.9	68,646.0
New Industrial	9,736.1	30,112.6	165.0	45,365.3	16,795.2
New Other	15,895.0	12,603.1	19,869.6	19,960.9	48,815.2
Com. Alterations/Additions	51,102.4	69,159.0	77,529.8	68,781.9	92,542.8
Total Nonresidential	115,314.7	174,057.0	212,362.7	187,157.0	226,799.2
New Dwelling Units					
Single Family	524	655	1,037	873	845
Multiple Family	281	0	331	63	51
TOTAL	805	655	1,368	936	896

Source: Construction Industry Research Board, Building Permit Summary.
** Subtotals may be slightly off due to rounding.*

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APPENDIX B

RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA B OF THE CITY OF FAIRFIELD COMMUNITY FACILITIES DISTRICT NO. 2016-1 (VILLAGES AT FAIRFIELD)

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RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX IMPROVEMENT AREA B OF CITY OF FAIRFIELD COMMUNITY FACILITIES DISTRICT NO. 2016-1 (VILLAGES AT FAIRFIELD), COUNTY OF SOLANO, STATE OF CALIFORNIA

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield), County of Solano, State of California, and collected each Fiscal Year, in an amount determined by the City Council of the City of Fairfield through the application of the Rate and Method of Apportionment of Special Tax, as described below. All of the Taxable Property in Improvement Area B, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or **"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map, parcel map, condominium plan, record of survey, or other recorded County parcel map. An Acre equals 43,560 square feet of land area.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2016-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, Improvement Area B, or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2016-1, or any designee thereof of complying with City, CFD No. 2016-1, or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2016-1, the Trustee, or any designee thereof related to an appeal of the levy or application of the Special Tax; the costs associated with the release of funds from any escrow account; and the City's annual administration fees, and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2016-1 for any other administrative purposes of CFD No. 2016-1, including, but not limited to, attorney's fees and other costs related to commencing and pursuing any foreclosure, or other resolution of delinquent Special Taxes.

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

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by Improvement Area B under the Act, and secured by the Special Taxes.

"Capitalized Interest" means monies deposited in any capitalized interest account established under the Indenture that are available to pay interest on Bonds.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 2016-1" means the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield), County of Solano, State of California.

"City" means the City of Fairfield

"County" means the County of Solano.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property and Taxable Public Property, for which a building permit for new construction was issued prior to June 30 of the previous Fiscal Year.

"Dwelling Unit" means one residential unit of any configuration, including, but not limited to, a single family attached or detached dwelling, condominium, apartment, mobile home, or otherwise.

"Final Map" means (i) a final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots or parcels for which building permits may be issued, or (ii) for condominiums, a Final Map approved by the County and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots or parcels. The term "Final Map" shall not include any Assessor's Parcel Map or subdivision map or portion thereof, which does not create individual lots for which a building permit may be issued, including Assessor's Parcels that are designated as remainder parcels.

"Final Subdivision" means a subdivision of property which occurred prior to January 1 (or any other date after which the County Assessor will not incorporate the newly-created Assessor's Parcels into the then current tax roll) of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, by recordation of a Final Map, parcel map, or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.), or recordation of a condominium plan pursuant to California Civil Code Section 1352 that, in either case, creates individual lots for which building permits may be issued without further subdivision. Notwithstanding the above, a condominium plan for which one or more building permits have been issued but no individual lots have been created for such building permits, shall be considered a Final Subdivision, and the portion of the condominium plan for which building permits have been issued shall be defined as Developed Property if such building permits were issued prior to June 30 of the Fiscal Year prior to the Fiscal Year in which the Special Tax is being levied.

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

"Improvement Area B" or **"Improvement Area"** means Improvement Area B of CFD No. 2016-1.

"Indenture" means the indenture, fiscal agent agreement, resolution, or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time.

"Land Use Class" means the class listed in Table 1 below.

"Maximum Special Tax" means, for each Assessor's Parcel, the Maximum Special Tax, determined in accordance with Section C below, that can be levied in any given Fiscal Year on such Assessor's Parcel.

"Non-Residential Floor Area" means the total building square footage of the non-residential building(s) or the non-residential portion of a building with both residential and non-residential areas located on an Assessor's Parcel of Developed Property, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two sides. The determination of Non-Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel and/or to the appropriate records kept by the City's Building Division, as reasonably determined by the CFD Administrator.

"Non-Residential Property" means all Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Property Owner Association Property" means, for each Fiscal Year, any Assessor's Parcel within the boundaries of Improvement Area B that is owned by a property owner association, including any master or sub-association, not including any such property that is located directly under a residential structure.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax or Backup Special Tax, as applicable, is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Undeveloped Property. For Taxable Property Owner Association Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Taxable Property Owner Association Property, as applicable. For Taxable Public Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Taxable Public Property, as applicable.

"Public Property" means, for each Fiscal Year, any Assessor's Parcel within Improvement Area B that is owned by, irrevocably offered for dedication to, or dedicated to the federal government, the State, the County, the City, or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. To ensure that property is classified as Public Property in the first Fiscal Year after it is acquired by, irrevocably offered for dedication to, or dedicated to a public agency, the property owner shall notify the CFD Administrator in writing of such acquisition, offer, or dedication not later than June 30 of the Fiscal Year in which the acquisition, offer, or dedication occurred, and the CFD Administrator shall make the final determination as to whether the property qualifies as Public Property.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a Dwelling Unit, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The CFD Administrator shall make a reasonable determination of Residential Floor Area by reference to the building permit(s) issued for such Dwelling Unit.

"Residential Lot" means an individual residential lot, identified and numbered on a recorded Final Map, for which a building permit has been, or under law and City planning decisions, could be issued for a residential structure without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

"Residential Property" means all Developed Property for which a building permit has been issued for purposes of constructing one or more Dwelling Units.

"Special Tax" or **"Special Taxes"** means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for Improvement Area B to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of facilities eligible to be financed by CFD No. 2016-1, to the extent that the inclusion of this amount does not result in a tax on Undeveloped Property; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of Improvement Area B which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Total Floor Area" means the sum of the aggregate Residential Floor Area for all Dwelling Units plus the aggregate Non-Residential Floor Area located on an Assessor's Parcel.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property, or Taxable Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, commencing Fiscal Year 2016-17, all Taxable Property within Improvement Area B shall be classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this rate and method of apportionment determined pursuant to Sections C and D below. All Developed Property shall be assigned to the Land Use Classes shown below in Table 1.

C. MAXIMUM SPECIAL TAX

1. Developed Property

a. Maximum Special Tax

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

b. Assigned Special Tax

The Fiscal Year 2016-17 Assigned Special Taxes are shown below in Table 1.

TABLE 1

Fiscal Year 2016-17
Assigned Special Tax for Developed Property

Land Use Class	Description	Fiscal Year 2016-17 Assigned Special Tax
1	Residential Property (>= 2,700 SF)	$3,384 per Dwelling Unit
2	Residential Property (2,275 SF – 2,699 SF)	$2,806 per Dwelling Unit
3	Residential Property (<2,275 SF)	$2,607 per Dwelling Unit
4	Non-Residential Property	$1.54 per Sq. Ft. of Non-Residential Floor Area

c. Backup Special Tax

The Fiscal Year 2016-17 Backup Special Tax is $25,980. The Backup Special Tax attributable to a Final Subdivision will equal $25,980 multiplied by the Acreage of all Taxable Property, exclusive of any Taxable Property Owner Association Property and Taxable Public Property, therein. If the Final Subdivision includes only Residential Lots, the Backup Special Tax for each Residential Lot shall be computed by dividing the Backup Special Tax attributable to the applicable Final Subdivision by the number of Residential Lots within that Final Subdivision. If the Final Subdivision includes only Non-Residential Property, the Backup Special Tax for each Assessor's Parcel of Non-Residential Property shall be computed by multiplying the Backup Special Tax by the Acreage of such Assessor's Parcel.

If a Final Subdivision includes Assessor's Parcels of Taxable Property for which building permits for both residential and non-residential construction have been issued, excluding Taxable Property Owner Association Property and Taxable Public Property, then the Backup Special Tax for each Dwelling Unit shall be calculated according to the following formula:

Dwelling Unit Backup Special Tax = ((Backup Special Tax) X (Acreage of Assessor's Parcel) X (Residential Floor Area/ (Total Floor Area))

In this case, the Backup Special Tax for each square foot of Non-Residential Floor Area shall be calculated according to the following formula:

Non-Residential Square Foot Backup Special Tax = ((Backup Special Tax) X (Acreage of Assessor's Parcel) X (Non-Residential Floor Area/

(Total Floor Area)) / Non-Residential Floor Area)

Notwithstanding the foregoing, if all or any portion of the Final Subdivision(s) described in the preceding paragraphs is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, and only if the CFD Administrator determines that such change or modification results in a decrease in the number of Residential Lots or the square footage of Non-Residential Floor Area within the Final Subdivision, then the Backup Special Tax for each Assessor's Parcel of Developed Property that is affected by the lot line adjustment or similar instrument for such Final Subdivision shall be a rate per Acre as calculated below. The Backup Special Tax previously determined for an Assessor's Parcel of Developed Property that is not affected by the lot line adjustment or similar instrument for such Final Subdivision shall not be recalculated.

i. Determine the total Backup Special Tax anticipated to apply to the changed or modified Final Subdivision area prior to the change or modification.

ii. The result of paragraph (i) above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision area, as reasonably determined by the CFD Administrator.

iii. The result of paragraph (ii) above shall be the Backup Special Tax per Acre which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision area for all remaining Fiscal Years in which the Special Tax may be levied.

d. Increase in the Assigned Special Tax and Backup Special Tax

On each July 1, commencing on July 1, 2017, the Assigned Special Tax and the Backup Special Tax shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

2. Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property

a. Maximum Special Tax

The Fiscal Year 2016-17 Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property in Improvement Area B shall equal $25,980 per Acre.

b. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2017, the Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

3. Multiple Land Uses

In some instances, an Assessor's Parcel may contain both Undeveloped Property and Developed Property. Furthermore, Developed Property may contain more than one Land Use Class.

In such cases, the Acreage of the Assessor's Parcel shall be allocated between Developed Property and Undeveloped Property based the portion of the Assessor's Parcel for which building permits had been issued prior to June 30 of the prior Fiscal Year and portion of the Assessor's Parcel for which building permits had not been issued prior to June 30 of the prior Fiscal Year, as reasonably determined by the CFD Administrator. The Acreage that is considered Undeveloped Property shall be taxed at the Maximum Special Tax rate set forth in Section C.2. The Acreage that is considered Developed Property shall be allocated between Residential Property and Non-Residential Property based on the site plan, condominium plan, information provided by the City or developer, or other sources. If an Assessor's Parcel of Developed Property includes both Residential Property and Non-Residential Property, the CFD Administrator shall (i) determine the size of each Dwelling Unit on the Assessor's Parcel and apply the Assigned Special Tax to such Dwelling Units, and (ii) determine the Non-Residential Floor Area and apply the Assigned Special Tax accordingly.

The Maximum Special Tax that can be levied on such Assessor's Parcel shall be the sum of the Maximum Special Tax that can be levied on each type of property located on that Assessor's Parcel, as calculated in Section C. The CFD Administrator's allocation to each type of property shall be conclusive and binding.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

For each Fiscal Year, commencing Fiscal Year 2016-17, the CFD Administrator shall determine the Special Tax Requirement and shall levy the Special Tax as follows:

First: Prior to applying Capitalized Interest that is available under the applicable Indenture, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax for Taxable Property Owner Association Property.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

Notwithstanding the above, pursuant to Section 53321(d)(3) of the California Government Code, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner or owners of any other Assessor's Parcel(s) within Improvement Area B by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on each Assessor's Parcel of Non-Residential Property shall continue to be increased in equal percentages up to 100% of the Assigned Special Tax.

E. EXEMPTIONS

No Special Tax shall be levied on up to 17.94 acres of Property Owner Association Property and Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property and Public Property that is not exempt from Special Taxes under this section shall be Taxable Property Owner Association Property or Taxable Public Property, respectively, and taxed as set forth herein.

F. INTERPRETATION OF SPECIAL TAX FORMULA

The City may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity as it relates to the Special Tax rate, the method of apportionment, the allocation of Special Taxes among Assessor's Parcels, the classification of properties, or any definition applicable to the CFD.

G. APPEALS

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than thirty-six (36) months after first having paid the first installment of the Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, then the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

(i) Amend the Special Tax Levy on the landowner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date;
(ii) Require the CFD to reimburse the landowner for the amount of the overpayment to the extent of available CFD funds; or
(iii) Grant a credit against, eliminate, or reduce future Special Taxes on the landowner's Assessor's Parcel(s) in the amount of the overpayment.

If the following such consultation and action by the CFD Administrator, the landowner believes such error still exists, such a person may file a written notice of appeal with the City Council. Upon the receipt of such notice, the City Council or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. If the City Council or designee determines an error still exists, the CFD Administrator shall take any of the actions described as (i), (ii), and (iii) above, in order of priority, in order to correct the error.

The filing of a written notice or an appeal shall not relieve the taxpayer of the obligation to pay the Special Tax when due.

H. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the City may directly bill the Special Tax, collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and covenant to foreclose and actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

I. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section I:

"CFD Public Facilities Cost" means either \$17,900,000 in 2016 dollars, which shall increase by the Inflator on July 1, 2017, and on each July 1 thereafter, or such lower number as (i) shall be determined by the City as sufficient to provide the public facilities to be provided by Improvement Area B under the authorized bonding program for Improvement Area B, or (ii) shall be determined by the City concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment of Special Tax.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

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

"Inflator" means, in any Fiscal Year, the greater of (i) the annual percentage change in the Construction Inflation Index, as calculated for the twelve (12) months ending December 31 of the prior calendar year or (ii) three percent (3.00%).

"Future Facilities Costs" means the CFD Public Facilities Cost minus (i) public facility costs previously paid from the Construction Fund, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

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

"Previously Issued Bonds" means all Bonds that have been issued by Improvement Area B prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than forty-five (45) days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

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

	Bond Redemption Amount	
	plus	Redemption Premium
	plus	Future Facilities Amount
	plus	Defeasance Amount
	plus	Administrative Fees and Expenses
	less	Reserve Fund Credit
	less	Capitalized Interest Credit
Total:	equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) for an Assessor's Parcel shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable to the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property (for which a building permit has been issued) to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel. For a Parcel of Undeveloped Property for which no building permit has been issued, compute the Maximum Special Tax for the Parcel.

3. (a) For Developed Property or Undeveloped Property for which a building permit has been issued, divide the Assigned Special Tax computed pursuant to paragraph 2 by the total estimated Assigned Special Taxes for the entire Improvement Area based on the Developed Property Special Taxes which could be charged in the

current Fiscal Year on all expected development through buildout of Improvement Area B, excluding any Assessor's Parcels which have been prepaid, and

(b) For Developed Property or Undeveloped Property for which a building permit has been issued, divide the Backup Special Tax computed pursuant to paragraph 2 by the estimated Backup Special Taxes at buildout of Improvement Area B using the Backup Special Tax amount for the current Fiscal Year, excluding any Assessor's Parcels which have been prepaid.

(c) For Undeveloped Property for which a building permit has not been issued, divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Tax that could be levied in Improvement Area No. 1 at buildout, as determined by the CFD Administrator.

4. For Developed Property or Undeveloped Property for which a building permit has been issued, multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Bonds subject to Prepayment, and for Undeveloped Property for which a building permit has not been issued, multiply the quotient computed to paragraph 3(c) by the Bonds Subject to Prepayment, to compute the amount of Bonds Subject to Prepayment to be retired and prepaid (the "Bond Redemption Amount").

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Bonds Subject to Prepayment to be redeemed (the "Redemption Premium").

6. Compute the current Future Facilities Costs.

7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Bonds Subject to Prepayment.

9. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount (as defined below) less the Future Facilities Amount and the Administrative Fees and Expenses (as defined below) from the date of prepayment until the redemption date for the Bonds Subject to Prepayment to be redeemed with the prepayment.

10. Subtract the amount computed pursuant to paragraph 9 from the amount computed in paragraph 8 (the "Defeasance Amount").

11. Verify the administrative fees and expenses of Improvement Area B, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

12. If reserve funds for the Bonds Subject to Prepayment, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall, to the extent so provided in the Indenture, be calculated as a reduction in the applicable reserve requirement for the Bonds Subject to Prepayment to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.

13. If any Capitalized Interest for the Bonds Subject to Prepayment will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall, to the extent so provided in the Indenture, be calculated by multiplying, for Developed Property or Undeveloped Property for which a building permit has been issued, the larger quotient computed pursuant to paragraph 3(a) or 3(b); and for Undeveloped Property for which a building permit has not been issued, the quotient from paragraph 3(c), by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").

14. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10 and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").

15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 10, 12 and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Bonds Subject to Prepayment or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by Improvement Area B.

The Prepayment Amount may be sufficient to redeem other than a $5,000 increment of Bonds. In such cases, the increment above $5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of Bonds or to make debt service payments.

With respect to any Assessor's Parcel that is prepaid, the City shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease. <u>However, a release of Special Tax Lien shall not be recorded until all Special Taxes levied on the Assessor's Parcel in the current or prior Fiscal Years have been collected.</u>

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Assigned Special Taxes that may be levied on Taxable Property (excluding Taxable Property Owner Association Property and Taxable Public Property) within Improvement Area B both prior to and after the proposed prepayment, less expected Administrative Expenses, is at least 1.1 times the applicable annual debt service on all Bonds Subject to Prepayment.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E - A) \times F + A$$

These terms have the following meaning:

PP = the partial prepayment
P_E = the Prepayment Amount calculated according to Section I.1
F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.
A = the Administration Fees and Expenses from Section I.1

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section I.1, and (ii) indicate in the records of Improvement Area B that there has been a partial prepayment of the Special Tax and that only the remaining percentage (1.00 - F) of the Maximum Special Tax shall apply to such Assessor's Parcel.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Assigned Special Taxes that may be levied on Taxable Property (excluding Taxable Property Owner Association Property and Taxable Public Property) within Improvement Area B both prior to and after the proposed prepayment, less expected Administrative Expenses, is at least 1.1 times the maximum annual debt service on all Bonds Subject to Prepayment. Once a partial prepayment has been received, an amendment to the Notice of Special Tax Lien shall be recorded against the Assessor's Parcel. However, such amendment shall not be recorded until all Special Taxes levied on the Assessor's Parcel in the current or prior Fiscal Years have been collected.

J. TERM OF SPECIAL TAX

The Special Tax shall terminate and no longer be levied or collected pursuant to this Rate and Method of Apportionment on the date that is the later of (i) the Fiscal Year immediately following the fortieth (40th) anniversary of the date on which Improvement Area B Bonds were sold or (ii) Fiscal Year 2056-57. Notwithstanding the foregoing, if Special Taxes have been levied on, but not yet collected from, any Assessor's Parcel in the Improvement Area at the later of the dates set forth above, such Special Taxes shall remain due and payable.

EXHIBIT C

NOTICE OF SPECIAL TAX LIEN

Improvement Area B of the City of Fairfield
Community Facilities District No. 2016-1
(Villages at Fairfield)

ASSESSOR'S PARCEL NUMBERS AND OWNERS OF LAND WITHIN IMPROVEMENT AREA B

Assessor's Parcel Nos.	Names of Property Owners
0170-010-410, 0170-010-400, 0170-010-240	Rancho Tolenas Corp., a California corporation

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

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

Certain Definitions

"Acquisition Agreement" means that certain Acquisition Agreement, dated as of December 6, 2016, by and between the City and the Developer, as amended from time to time.

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

"Administrative Expenses" means costs directly related to the administration of the CFD consisting of: all costs and expenses of the City in any way related to the establishment or administration of the CFD; the actual costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under the Fiscal Agent Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and the Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; the actual costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

"Administrative Expense Fund" means the fund designated the "Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield) Administrative Expense Fund" established and administered under the Fiscal Agent Agreement.

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

"Annual Debt Service" means, for each Bond Year, the Debt Service due in such Bond Year.

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

"Authorized Officer" means, with respect to the City, the City Manager, the Finance Director, the City Clerk, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond" or "Bonds" means the 2019 Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"Bond Fund" means the fund designated the "Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield) Special Tax Bonds Bond Fund" established and administered under the Fiscal Agent Agreement.

"Bond Proceeds Account" means the account of that name within the Improvement Fund to be established and administered by the Fiscal Agent under the Fiscal Agent Agreement.

"Bond Year" means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2019.

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

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

"CFD" means the "City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)" formed under the Resolution of Formation.

"City Council" means the City Council of the City, in its capacity as the legislative body of the CFD.

"City" means the City of Fairfield, California and any successor thereto.

"Closing Date" means the date upon which there is a physical delivery of the 2019 Bonds in exchange for the amount representing the purchase price of the 2019 Bonds by the Original Purchaser.

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

"Costs of Issuance Fund" means the fund designated the "Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield) Special Tax Bonds, Costs of Issuance Fund" established and administered under the Agreement.

"County" means the County of Solano, California.

"Dated Date" means the dated date of the 2019 Bonds, which is the Closing Date.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the 2019 Bonds and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Developed Property" means the property in Improvement Area B subject to the levy of the Special Taxes that is classified as Developed Property pursuant to the Rate and Method.

"Developer" means Rancho Tolenas Corp., a California corporation, and its successors and assigns.

"Fair Market Value" means with respect to the investment of the proceeds of the Bonds the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

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

"Finance Director" means the official of the City, or such official's designee, who acts in the capacity as the chief financial officer of the City, including the controller or other financial officer.

"Fiscal Agent" means The Bank of New York Mellon Trust Company, N.A., the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers provided in the Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

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

"Improvement Area B" means "Improvement Area B of City of Fairfield, Community Facilities District No. 2016-1 (Villages at Fairfield) formed under the Resolution of Formation.

"Improvement Area B Value" means the assessed or market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in Improvement Area B subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to:

(i) an appraisal performed within 6 months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the "Appraiser") selected by the City, or

(ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Finance Director.

It is expressly acknowledged that, in determining the Improvement Area B Value, the City may rely on an appraisal to determine the value of some or all of the parcels in Improvement Area B and/or the most recent County real property tax roll as to the value of some or all of the parcels in Improvement Area B. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

"Improvement Fund" means the fund designated "Improvement Area B of the City of Fairfield, Community Facilities District No. 2016-1 (Villages at Fairfield), Special Tax Bonds, Improvement Fund," established under the Fiscal Agent Agreement.

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

"Interest Payment Date" means each September 1 and March 1 of every calendar year, commencing March 1, 2020.

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

"Moody's" means Moody's Investors Service, Inc., and its successors.

"MSRB" means the Municipal Securities Rulemaking Board, through its EMMA system, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means any ordinance of the City Council of the City levying the Special Taxes, including but not limited to Ordinance No. 2016-16, introduced by the City Council on December 6, 2016 and adopted by the City Council on January 17, 2017.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated, the first purchaser of the 2019 Bonds from the City.

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

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

"Parity Bonds" means additional bonds issued and payable on a parity with the Bonds pursuant to the Fiscal Agent Agreement.

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

(a) Federal Securities;

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

(c) interest-bearing demand or time deposits (including certificates of deposit including those placed by a third party pursuant to a separate agreement between the City and the Fiscal Agent, bank deposit products, trust funds, trust accounts, interest bearing deposits, interest bearing money market accounts and overnight bank deposits) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated 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 mature not more than 180 days following the date of investment therein;

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

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (i) rated A or better by any Rating Agency, or (ii) 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 $500,000,000, which obligations are rated A or better by any Rating Agency;

(h) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency including those funds for which the Fiscal Agent or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

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

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however,* that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement;

(k) the California Asset Management Program; and

(l) any other investment in which the City may invest its funds under California law.

"Principal Office" means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, or such other office designated by the Fiscal Agent from time to time; provided that for purposes of the presentation or surrender of Bonds for payment, transfer or exchange, such office shall be the designated corporate trust agency or operations office of the Fiscal Agent.

"Proceeds" when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter's discount.

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

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P, or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2019 Reserve Fund Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2019 Bonds and any Related Parity Bonds.

"Rate and Method" means the rate and method of apportionment of Special Tax for Improvement Area B of the CFD, adopted by the City Council on pursuant to the Resolution of Formation, and as it subsequently may be amended in compliance with the provisions of the Agreement and the Act.

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

"Refunding Bonds" means bonds issued by the City for the CFD with the respect to Improvement Area B, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

"Regulations" means temporary and permanent regulations promulgated under the Tax Code.

"Related Parity Bonds" means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2019 Reserve Fund so that the balance therein is equal to the 2019 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2019 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

"Remainder Taxes" means the Special Taxes available for disbursement pursuant to the Fiscal Agent Agreement.

"Remainder Taxes Account" means the account of that name within the Improvement Fund to be established and administered by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

"Resolution" or "Resolution of Issuance" has the meaning given that term in the recitals hereof.

"Resolution of Formation" means Resolution No. 2016-278, entitled "A Resolution of the City Council of Formation of Community Facilities District", adopted by the City Council on December 16, 2016, forming the CFD and Improvement Area B.

"Resolution of Intention" means Resolution No. 2016-238, entitled "A Resolution of the City Council of Intention to Establish Community Facilities District for the Villages at Fairfield", adopted by the City Council on October 18, 2016, indicating the intention of the City to form the CFD and Improvement Area B.

"Resolution of Necessity" means Resolution 2016-279, entitled "A Resolution of the City Council Determining Necessity to Incur Bonded Indebtedness and other Indebtedness", adopted by the City Council on December 6, 2016.

"S&P" means S&P Global Services, a Standard & Poor's Financial Services LLC business, and its successors and assigns.

"Special Tax Fund" means the special fund designated "Improvement Area B of the City of Fairfield, Community Facilities District No. 2016-1 (Villages at Fairfield), Special Tax Fund" established and administered under the Fiscal Agent Agreement.

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

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

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

"Special Taxes" means the special taxes levied by the City Council within Improvement Area B pursuant to the Rate and Method and under the Act, the Ordinance and the 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 under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

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

"Term Bonds" means the (i) 2019 Bonds maturing on September 1, 2039, (ii) the 2019 Bonds maturing on September 1, 2044, and (iii) the 2019 Bonds maturing on September 1, 2049.

"Undeveloped Property" means the property in Improvement Area B subject to the levy of the Special Taxes that is classified as Undeveloped Property pursuant to the Rate and Method.

"Undeveloped Property Value" means the assessed or market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of Undeveloped Property and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to:

(i) an appraisal performed within 6 months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the "Appraiser") selected by the City, or

(ii) in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Finance Director.

It is expressly acknowledged that, in determining the Undeveloped Property Value, the City may rely on an appraisal to determine the value of some or all of the parcels of Undeveloped Property and/or the most recent County real property tax roll as to the value of some or all of the parcels of Undeveloped Property. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

"2019 Bonds" means the Bonds so designated and authorized to be issued under the Fiscal Agent Agreement.

"2019 Reserve Fund" means the fund designated the "Improvement Area B of the City of Fairfield, Community Facilities District No. 2016-1 (Villages at Fairfield), Special Tax Bonds, Reserve Fund" established and administered pursuant to the Fiscal Agent Agreement.

"2019 Reserve Requirement" means the sum of:

(i) $1,720,736.41, which is the least of (a) Maximum Annual Debt Service on the 2019 Bonds as of the Closing Date, (b) 125% of average Annual Debt Service on the 2019 Bonds as of the Closing Date and (c) 10% of the original principal amount of the 2019 Bonds plus

(ii) with respect to any series of Related Parity Bonds the principal of and interest on which is payable from amounts in the 2019 Reserve Fund, an amount equal to the least of (x) Maximum Annual Debt Service on such Related Parity Bonds as of the date of their issuance, (y) 125% of average Annual Debt Service on such Related Parity Bonds as of the date of their issuance and (z) 10% of the original principal amount of such Related Parity Bonds.

Certain Provisions Relating to the Bonds

Interest. The 2019 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

Transfer or Exchange of Bonds Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of the Fiscal Agent Agreement by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City from amounts in the Administrative Expense Fund. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

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

Certain Provisions Relating to Security for the Bonds

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

The 2019 Bonds and all Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the 2019 Reserve Fund. The moneys in the 2019 Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2019 Bonds and all Related Parity Bonds as provided herein and in the Act until all of the 2019 Bonds and all Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03 of the Fiscal Agent Agreement. The 2019 Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the Capitalized Interest Account.

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

Limited Obligation. All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefore under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

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

Parity Bonds. In addition to the 2019 Bonds, but subject to Section 5.18 of the Fiscal Agent Agreement, the City may issue Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds under the Fiscal Agent Agreement and shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement, except as provided in the Fiscal Agent Agreement or in a Supplemental Agreement. The City may issue such Parity Bonds if the City complies with the following specific conditions precedent:

(A) Compliance. Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the Bonded indebtedness of Improvement Area B.

(B) Same Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on the Interest Payment Dates, and principal thereof shall be payable on the same date in any year in which principal is payable on the 2019 Bonds (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) Separate Funds; Debt Service Reserve Fund. The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts.

The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for one of the following: (i) a deposit to the 2019 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2019 Reserve Requirement following issuance of the Parity Bonds, (ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2019 Reserve Fund and that the Owners of the Bonds covered by the 2019 Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2019 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2019 Reserve Fund or any other reserve account.

(D) Improvement Area B Value. The Improvement Area B Value shall be at least four (4) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in Improvement Area B subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within Improvement Area B (the "Other District Bonds") equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within Improvement Area B, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

(E) Undeveloped Property Value. The Undeveloped Property Value shall be at least three (3) times the sum of: (i) the proportionate share of the amounts described in clauses (i) and (ii) of the preceding subsection (D) determined by multiplying the aggregate of the amounts described in such clauses (i) and (ii) by a fraction, the numerator of which is the amount of Special Taxes to be levied on Undeveloped Property in the Fiscal Year following the then current Fiscal Year (without regard to any capitalized interest for any Parity Bonds), and the denominator of which is the total amount of Special Taxes to be levied on property in Improvement Area B in the Fiscal Year following the then current Fiscal Year, based upon information from the most recent available Fiscal Year, plus (ii) the aggregate principal amount of any fixed assessment liens on the Undeveloped Property, plus (iii) a portion of the aggregate principal amount of any Other District Bonds (as defined in the preceding subsection (D)) equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on Undeveloped Property, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of real property against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year. If 100% of the debt service on the Bonds after the issuance of the proposed Parity Bonds is expected to be derived from Special Taxes levied on Developed Property, then the provisions of this subsection (E) shall not apply to the proposed issuance of Parity Bonds.

(F) Coverage. The amount of the maximum Special Taxes that may be levied in each Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement shall be at least (i) 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds and (ii) 100% of the total Annual

Debt Service of the then Outstanding Bonds and the proposed Parity Bonds and the amount of the levy for Administrative Expenses in the current fiscal year. In addition, the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds.

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

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

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

Certain Funds and Accounts

2019 Reserve Fund.

Establishment of Fund*.* The 2019 Reserve Fund is established under the Indenture as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required thereunder, which deposit, as of the Closing Date, is equal to the initial 2019 Reserve Requirement with respect to the 2019 Bonds, and deposits shall be made as described in paragraph (c) of the section entitled "Parity Bonds" above and paragraphs (a) and (b) of the section entitled "Special Tax Fund." Moneys in the 2019 Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2019 Bonds and any Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2019 Bonds and any Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2019 Bonds and any Related Parity Bonds.

Use of 2019 Reserve Fund*.* Except as otherwise provided in the provisions of the Fiscal Agent Agreement relating to the 2019 Reserve Fund, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2019 Bonds and any Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement relating to the Reserve Fund, for the purpose of redeeming 2019 Bonds and any Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2019 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2019 Bonds and any Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Transfer of Excess of Reserve Requirement*.* Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2019 Reserve Fund exceeds the 2019 Reserve Requirement, the Fiscal Agent shall provide written notice to the Finance Director of the amount of the excess and shall transfer an amount equal to the excess from the 2019 Reserve Fund to the Bond Fund, to be used to pay interest on the 2019 Bonds and any Related Parity Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Amounts in the 2019 Reserve Fund shall be withdrawn for purposes of making rebate payments to the federal government, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however,* that no amounts in the 2019 Reserve Fund shall be used for rebate unless the amount in the 2019 Reserve Fund following such withdrawal equals the 2019 Reserve Requirement.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2019 Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2019 Bonds and all Outstanding Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2019 Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption and the provisions of the Supplemental Agreement related to the Related Parity Bonds of all of the Outstanding 2019 Bonds and Outstanding Related Parity Bonds. In the event that the amount so transferred from the 2019 Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2019 Bonds and Outstanding Relating Parity Bonds, the balance in the 2019 Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

No amounts shall be transferred from the 2019 Reserve Fund until after: (i) the calculation of any rebate amounts due to the federal government and withdrawal of any such amount for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

Transfer Upon Special Tax Prepayment**.** Whenever Special Taxes are prepaid and 2019 Bonds or any Related Parity Bonds are to be redeemed with the proceeds of such prepayment, or a Supplemental Agreement related to any Related Parity Bonds, a proportionate amount in the 2019 Reserve Fund (determined on the basis of the principal of 2019 Bonds and Related Parity Bonds to be redeemed and the then-Outstanding principal of the 2019 Bonds and Related Parity Bonds, but in any event not in excess of the amount that will leave the balance in the 2019 Reserve Fund following the proposed redemption equal to the 2019 Reserve Requirement) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2019 Bonds or Related Parity Bonds pursuant to a Supplemental Agreement related to any Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

Investment. Moneys in the 2019 Reserve Fund shall be invested by Fiscal Agent under the Fiscal Agent Agreement.

Qualified Reserve Account Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2019 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2019 Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the 2019 Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2019 Reserve Fund to the Improvement Fund to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account 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 Fiscal Agent Agreement. If the 2019 Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2019 Bonds and any Related Parity Bonds. If the 2019 Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2019 Bonds and any Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of 2019 Bonds and any Related Parity Bonds, a separate subaccount in the 2019 Reserve Fund may be established for such series, and the calculation of the Reserve Requirement with respect to any other Bonds shall exclude the debt service on such issue of such 2019 Bonds and any Related Parity Bonds.

The City shall have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2019 Reserve Fund with cash if, at any time that the 2019 Bonds and any Related Parity Bonds are Outstanding, amounts are not available to be drawn upon under the Qualified Reserve Account Credit Instrument. The City and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under the Fiscal Agent Agreement.

Bond Fund.

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

Within the Bond Fund there is established a separate account designated as the “Capitalized Interest Account” to be held in trust by the Fiscal Agent for the benefit of the City and the Owners of the Bonds into which shall be deposited the amount specified in the Fiscal Agent Agreement. Amounts on deposit in the Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the Bonds. When the amount in the Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

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

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall do the following:

(i) Withdraw from the 2019 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2019 Bonds and any Related Parity Bonds. Amounts so withdrawn from the 2019 Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund shall be deposited in the Bond Fund.

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

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

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

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies. In no event shall the Fiscal Agent be responsible or liable for any such deficiency.

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

Special Tax Fund

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

Notwithstanding the foregoing,

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

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due Debt Service on the Bonds; second, without any preference or priority, for transfer to the 2019 Reserve Fund to the extent needed to increase the amount then on deposit in the 2019 Reserve Fund up to the then 2019 Reserve Requirement and for transfer to the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit in such reserve account up to the amount then required to be deposited therein (and in the event the collection of delinquencies in payment of Special Taxes are not sufficient for the purposes of this clause, such amounts shall be applied to the 2019 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and third, to be held in the Special Tax Fund for use as described in the Fiscal Agent Agreement; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds) shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

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

Disbursements. On the fifth Business Day prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2019 Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds, the Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date or redemption date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in the Fiscal Agent Agreement, and

(ii) without preference or priority (a) to the 2019 Reserve Fund an amount, taking into account amounts then on deposit in the 2019 Reserve Fund, such that the amount in the 2019 Reserve Fund is equal to the 2019 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the 2019 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds), and

(iii) between each September 2, beginning on September 2, 2019, and the immediately succeeding December 31, the City may direct the Fiscal Agent to transfer any of the moneys remaining in the Special Fund to (A) the Remainder Taxes Account or (B) the Administrative Expense Fund.

The County has adopted written guidelines for its Alternative Method of Tax Apportionment ("Teeter Plan"), as set forth in the "County of Solano Guideline - Solano County Teeter Program" dated March 25, 2004 (the "Guidelines"). Under the Guidelines, (i) Special Taxes are not covered by the County's Teeter Plan, (ii) the County will apportion Special Taxes to the City as if the Special Taxes were covered by the Teeter Plan and (iii) the County may demand the repayment by the City of apportionments that represent delinquent Special Taxes when the County determines that the collection of the delinquent Special Taxes is unlikely. As a result, and notwithstanding any other provision of the Fiscal Agent Agreement, the City may use Special Taxes at any time to repay the County for amounts apportioned by the County to the City that represent delinquent Special Taxes if failure to do so will cause the County to withhold property tax revenues (other than Special Taxes) that would otherwise be apportioned to the City; provided, however, that in the event the County asks the City to repay it for the apportionment of amounts that represent delinquent Special Taxes, the City will make a good faith effort to negotiate a payment plan with the County that will not require the City to repay the County with Special Taxes if doing so will result in there being insufficient Special Tax Revenues to pay debt service on the Bonds when due.

Administrative Expense Fund.

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

Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance and the nature of such Administrative Expense or such Cost of Issuance.

Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw from the Administrative Expense Fund and transfer to the Special Tax Fund any amount in excess of that which is needed to pay any Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, as identified by the Finance Director in an Officer's Certificate. Amounts deposited to the Administrative Expense Fund pursuant to the Fiscal Agent Agreement (if any) shall be separately identified at all times, and shall be expended for purposes of the Administrative Expense Fund prior to the use of amounts transferred to the Administrative Expense Fund from the Special Tax Fund pursuant to the Fiscal Agent Agreement.

Improvement Fund.

Establishment of Improvement Fund. The Improvement Fund is established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by Sections 4.01, and 4.02(D) of the Agreement. The Remainder Taxes Account and the Bond Proceeds Account are hereby established as separate accounts within the Improvement Fund to held by the Fiscal Agent.

Moneys in the Improvement Fund shall be disbursed, except as otherwise provided in subsections (B) and (D) of this the Fiscal Agent Agreement, for the payment or reimbursement of costs of the Project.

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

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

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

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

Any disbursements for the payment or reimbursement of costs of the Project shall be made first from the Bond Proceeds Account so long as there are moneys available therein, and only when the Bond Proceeds Account has been depleted shall disbursements be made from the Remainder Taxes Account.

At the direction of the Finance Director, the Fiscal Agent shall transfer amounts from the Remainder Taxes Account to the Bond Fund to pay Debt Service on the Bonds, Administrative Expense Fund to pay Administrative Expenses and 2019 Reserve Fund to increase the amount therein to the 2019 Reserve Requirement.

Closing of Fund. Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund or any account therein, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund, the Bond Proceeds Account and the Remainder Taxes Account to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the Improvement Fund, the Bond Proceeds Account and the Remainder Taxes Account shall be closed. Proceeds of the Bonds transferred from the Bond Proceeds Account of the Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

Certain Covenants

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

Processing. On or within 5 Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the 2019 Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds that is held by the Fiscal Agent, and, (ii) if the amount in the 2019 Reserve Fund is less than the Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2019 Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

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

Computation. The Finance Director shall fix and levy the amount of Special Taxes within Improvement Area B required for the payment of principal of and interest on any outstanding Bonds of the CFD with respect to Improvement Area B becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the 2019 Reserve Fund and any other reserve account for Parity Bonds that are not Related Parity Bonds and an amount estimated to be sufficient to pay the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

Collection. Except as set forth in the Ordinance, Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property. The Finance Director is authorized pursuant to the Fiscal Agent Agreement to employ consultants to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Finance Director (including a charge for City staff time) in conducting its duties under the Fiscal Agent Agreement shall be an Administrative Expense under the Fiscal Agent Agreement.

Covenant to Foreclose. Under the Act, the City covenants under the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about March 30 and June 30 of each Fiscal Year, the Finance Director shall:

(1) compare the amount of Special Taxes theretofore levied in Improvement Area B to the amount of Special Tax Revenues theretofore received by the City, and

(2) because it is the County's practice under the Guidelines to apportion Special Taxes to the City as if the Special Taxes were covered by the Teeter Plan even though Special Taxes are not covered by the County's Teeter Plan, the City shall make a good faith effort at the time of each apportionment of Special Taxes to obtain information from the County as to the Special Tax delinquencies represented by such apportionment.

Thereafter:

(A) Individual Parcel Delinquencies. If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area B is delinquent in the payment of Special Taxes in the aggregate amount of $2,000 or more, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent parcel if (1)the Special Taxes are covered by the County's Teeter Plan, or an equivalent procedure, but only to the extent that the City cannot be required to repay the County for amounts apportioned by the County to the City that represent delinquent Special Taxes, (2) the amount in the 2019 Reserve Fund is at least equal to the 2019 Reserve Requirement, (3) the amount in the reserve account for any Parity Bonds that are not Related Parity Bonds is at least equal to the required amount and (4) the subject parcel is not delinquent with respect to more than $5,000 of Special Taxes.

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

(C) Individual Owner Delinquencies. As to any owner of more than one parcel within Improvement Area B of the CFD, if the Finance Director determines that the aggregate amount of delinquent Special Taxes for all preceding tax years on all parcels owned by such owner (whether such parcels are owned solely by such owner or jointly by such owner and one or more others) exceeds $5,000, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) shall commence foreclosure proceedings within 90 days of such determination, regardless of when such delinquencies occurred.

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

Books and Records.

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

(B) Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent under the Fiscal Agent Agreement. Such books of record and accounts shall at all times during the Fiscal Agent's business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice during the Fiscal Agent's business hours.

Private Activity Bond Limitations. The City shall assure that the proceeds of the 2019 Bonds are not so used as to cause the 2019 Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2019 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2019 Bonds. The Finance Director shall take note of any investment of monies under the Fiscal Agent Agreement in excess of the yield on the 2019 Bonds, and shall take such actions as are necessary to ensure compliance with this covenant, such as increasing the portion of the Special Tax levy for Administrative Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under this covenant. If necessary to satisfy its obligations under this covenant, the City may use:

(A) Amounts in the 2019 Reserve Fund if the amount on deposit in the 2019 Reserve Fund, following the proposed transfer, is at least equal to the 2019 Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not Related Parity Bonds to the extent permitted by the Supplemental Agreement;

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

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

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2019 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 2019 Bonds would have caused the 2019 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

Yield of the 2019 **Bonds**. In determining the yield of the 2019 Bonds to comply with its federal tax law-related covenants under the Fiscal Agent Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2019 Bonds, without regard to whether or not prepayments are received or 2019 Bonds redeemed.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the 2019 Bonds from the gross income of the Owners of the 2019 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2019 Bonds.

Limits on Special Tax Waivers and Bond Tenders. The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

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

Limitation on Principal Amount of Parity Bonds. Following issuance of the 2019 Bonds, the City will not issue more than $5,135,000 initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

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

Investment of Moneys in Funds

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

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

Valuation of Investments. Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the subaccounts within in the 2019 Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

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

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

Liability of City

General. The City shall not incur any responsibility in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

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

Certain Provisions Relating to the Fiscal Agent

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

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

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

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

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

Liability of Fiscal Agent.

General. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct.

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

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

Amendments Permitted

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

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

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

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

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

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

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

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

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

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

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

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

> **(A)** by paying or causing to be paid the principal of, and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;
>
> **(B)** by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the 2019 Reserve Fund, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or
>
> **(C)** by irrevocably depositing with the Fiscal Agent, in trust, cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant in writing, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the 2019 Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

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

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

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

APPENDIX D

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 2019A Bonds, payment of principal, interest and other payments on the 2019A Bonds (herein, the "Securities") to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities 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 Securities (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the "Agent") takes 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 Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, 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. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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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APPENDIX E

FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

$19,865,000
IMPROVEMENT AREA B OF THE
CITY OF FAIRFIELD
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(VILLAGES AT FAIRFIELD)
SPECIAL TAX BONDS, SERIES 2019A

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Fairfield (the "City") in connection with the issuance of the bonds captioned above (the "2019A Bonds"). The 2019A Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of August 1, 2019 (the "Fiscal Agent Agreement"), by and between the City and The Bank of New York Mellon, N.A., as fiscal agent (the "Fiscal Agent"). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2019A Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"*Annual Report Date*" means the date that is nine months after the end of the City 's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*District*" means the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield).

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

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

"*Official Statement*" means the final official statement dated August 1, 2019, executed by the City in connection with the issuance of the 2019A Bonds.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the 2019A Bonds required to comply with the Rule in connection with offering of the 2019A Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it 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 Annual Report Date, commencing March 31, 2020, with the report for the 2018-19 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the City does not provide, or cause the Dissemination Agent to provide, an Annual Report by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall provide to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following documents and information:

(a) The City's audited financial statements 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, together with the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE CITY OR THE DISTRICT, OTHER THAN SPECIAL TAX REVENUES FROM IMPROVEMENT AREA B

OF THE DISTRICT, ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE 2019A BONDS, AND NEITHER THE CITY NOR THE DISTRICT IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY OR THE DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE 2019A BONDS.

(b) To the extent not included in the audited financial statements, the following information:

(i) Total assessed value (per the Solano County Assessor's records) of all parcels currently subject to the Special Tax within Improvement Area B of the District, showing the total secured assessed valuation for all property subject to the Special Tax, substantially in the form of Table 5.

(ii) The total dollar amount of delinquencies, if any, in Improvement Area B of the District as of August 1 of the prior calendar year and, if the total delinquencies within Improvement Area B of the District as of August 1 in the prior calendar year exceed 5% of the Special Tax for the previous fiscal year, delinquency information for each parcel responsible for more than $5,000 in the payment of Special Tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(iii) The amount of prepayments of the Special Tax for the prior Fiscal Year.

(iv) An updated table in substantially the form of the table in the Official Statement entitled "Table 10, Property Ownership by Share of Special Taxes," as shown on the Solano County Assessor's last equalized tax roll prior to the September next preceding the Annual Report Date.

(v) The principal amount of the 2019A Bonds outstanding and the balance in the 2019 Reserve Fund (along with a statement of the 2019 Reserve Requirement) as of the September 30 next preceding the Annual Report Date, including the issuance date and principal amount of any additional bonds or obligations issued under the Fiscal Agent Agreement on a parity with the 2019A Bonds.

(vi) An updated table in substantially the form of the table in the Official Statement entitled "Table 6, Appraised Values and Value-to-Debt Ratios" based upon the assessed values within Improvement Area B as reflected in the most recent equalized tax roll prior to the September next preceding the Annual Report Date and solely with respect to Improvement Area B. Notwithstanding the appraised values of property within Improvement Area B in Table 6 of the Official Statement, the City shall be under no obligation to provide updated tables in the form of such table based on updated appraised values of such property.

(vii) Any changes to the Rate and Method of Apportionment of Special Tax for the District set forth in Appendix B to the Official Statement.

(viii) A copy of the most recent annual information required to be filed by the City with the California Debt and Investment Advisory Commission pursuant to the Act and relating generally to outstanding Community Facilities District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(ix) Number of building permits for new home construction issued within Improvement Area B of the District during the most recently completed fiscal year.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

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

(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) Substitution of credit or liquidity providers, or their failure to perform.

(6) 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 2019A Bonds, or other material events affecting the tax status of the 2019A Bonds.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(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.

(14) Appointment of a successor or additional Fiscal Agent or the change of name of the Fiscal Agent, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Fiscal Agent Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the 2019A Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States 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 governing 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.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2019A Bonds. If such termination occurs prior to the final maturity of the 2019A Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Willdan Financial Services. Any Dissemination Agent may resign by providing 30 day's prior written notice to the City.

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

(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 2019A Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2019A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2019A Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Fiscal Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2019A Bonds.

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

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a 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 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2019A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Fiscal Agent, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2019A Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the 2019A Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: August 15, 2019

CITY OF FAIRFIELD

By: ________________________________
City Manager

AGREED AND ACCEPTED:
WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: ________________________________
Name: ______________________________
Title: ______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Fairfield
Name of Bond Issue:	Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield) Special Tax Bonds, Series 2019A
Date of Issuance:	August 15, 2019

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate August 15, 2019, executed by the District relating to the Bonds. The City anticipates that the Annual Report will be filed by __________.

Dated: ____________

DISSEMINATION AGENT:

____

By: ___________________________
Its: ___________________________

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APPENDIX F

FORM OF PROPERTY OWNER DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE
(Property Owner – ___________)

$19,865,000
IMPROVEMENT AREA B OF THE
CITY OF FAIRFIELD
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(VILLAGES AT FAIRFIELD)
SPECIAL TAX BONDS, SERIES 2019A

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by _________ (the "Property Owner"), in connection with the issuance by the City of Fairfield (the "City") of the bonds captioned above (the "Bonds") for and on behalf of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield) (the "District") with respect to its Improvement Area B. The Bonds are being issued under a Fiscal Agent Agreement dated as of August 1, 2019 (the "Fiscal Agent Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The Property Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

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

"*Affiliate*" means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or to the Property Owner's ability to pay the Special Taxes levied on the Property prior to delinquency).

"Assumption Agreement" means an undertaking of a Major Owner, for the benefit of the holders and beneficial owners of the Bonds, containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner's development and financing plans with respect to the City), whereby such Major Owner agrees to provide semi-annual reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in the City owned by such Major Owner and, at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 12 hereof.

"*Dissemination Agent*" means _____________, or any successor Dissemination Agent designated in writing by the Property Owner, with the written consent of the City, and which has filed with the Property Owner, the City and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

"Improvement Area B" means Improvement Area B of the City of Fairfield, Community Facilities District No. 2016-1 (Villages at Fairfield).

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

"*Major Owner*" means, as of any Report Date, an owner of land in the District responsible in the aggregate for 15% or more of the Special Taxes actually levied at any time during the then-current fiscal year.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information.

"*Official Statement*" means the final Official Statement dated August 1, 2019, executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds.

"*Property*" means (i) the property owned by the Property Owner in Improvement Area B of the District, and (ii) the property in Improvement Area B of the District that the Property Owner sold to a Major Owner who has not assumed the undertakings of this Disclosure Certificate under Section 7(b) that is owned by such Major Owner.

"*Report Date*" means (a) September 30 of each year, and (b) March 31 of each year.

"*Semi-Annual Report*" means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Special Taxes"* means the special taxes levied by the District on the Property.

Section 3. <u>Provision of Semi-Annual Reports</u>.

(a) The Property Owner shall, or upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing March 31, 2020, provide to the MSRB, in an electronic format as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent (if different from the Property Owner), the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the City and the Participating Underwriter.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of continuing disclosure reports; and;

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the City and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Semi-Annual Reports. The Property Owner's Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, each Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property prior to the delinquency date, to the extent such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which, if successful, could have a material and adverse impact on the Property Owner's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Property Owner that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

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

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the Fiscal Agent, the City and the Participating Underwriter.

Section 6. <u>Identifying Information for Filings with the MSRB</u>. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. <u>Duration of Reporting Obligation</u>.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(ii) at such time as the Property in Improvement Area B of the District owned by the Property Owner is no longer responsible for payment of 15% or more of the Special Taxes, or

(iii) the date on which the Property Owner prepays in full all of the Special Taxes attributable to the Property.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If a portion of the Property is conveyed to a person or entity that, upon such conveyance, will be a Major Owner, the obligations of the Property Owner hereunder with respect to the property conveyed to such Major Owner may be assumed by such Major Owner and the Property Owner's obligations hereunder with respect to the property conveyed will be terminated. In order to effect such assumption, such Major Owner shall enter into an Assumption Agreement in form and substance satisfactory to the City and the Participating Underwriter. However, a Major Owner shall not be required to enter into an Assumption Agreement if such Major Owner is already a party to a continuing disclosure certificate in form and substance similar to this Disclosure Certificate with respect to the Bonds, and under which the property conveyed to such Major Owner will become subject to future Semi-Annual Reports.

Section 8. Dissemination Agent. The Property Owner may, from time to time, with the written consent of the City, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with the written consent of the City, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be ___________. The Dissemination Agent may resign by providing 30 days' written notice to the District, the Property Owner and the Fiscal Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(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, or change in law;

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner 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 Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner 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 Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding any loss, expense and liabilities due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder from the Administrative Expense Fund established under the Fiscal Agent Agreement in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Fiscal Agent, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. <u>Notices</u>. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the issuer:	City of Fairfield 1000 Webster Street Fairfield, CA 94533 Fax: (707) 728-7621
To the Dissemination Agent:	
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, Suite 3700 San Francisco, CA 94104 Attention: Municipal Research Department Fax: (415) 364-7765
To the Property Owner:	

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. <u>Beneficiaries</u>. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: August 15, 2019

[PROPERTY OWNER],
a ____________

By: ________________________________

Title: ______________________________

AGREED AND ACCEPTED:
__________________________,
as Dissemination Agent

By: _____________________________________
Title: ____________________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE SEMI-ANNUAL REPORT

Name of Issuer: City of Fairfield

Name of Bond Issue: Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield) Special Tax Bonds, Series 2019A

Date of Issuance: August 15, 2019

NOTICE IS HEREBY GIVEN that _______________, a ___________ (the "Major Owner") has not provided a Semi-Annual Report with respect to the above-named bonds as required by that certain Continuing Disclosure Certificate (Property Owner – ________), dated August 15, 2019. The Major Owner anticipates that the Semi-Annual Report will be filed by ____________.

Dated: ____________

DISSEMINATION AGENT:

____

By: ________________________
Its: ________________________

cc: Major Owner

EXHIBIT B

SEMI-ANNUAL REPORT

[MARCH 31, ____ / SEPTEMBER 30, _____]

$19,865,000
IMPROVEMENT AREA B OF THE
CITY OF FAIRFIELD
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(VILLAGES AT FAIRFIELD)
SPECIAL TAX BONDS, SERIES 2019A

This Semi-Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated as of August 15, 2019, executed by the undersigned (the "Property Owner") in connection with the issuance by the City of Fairfield (the "City") of the bonds captioned above (the "Bonds") for Improvement Area B of its Community Facilities District No. 2016-1 (Villages at Fairfield) (the "District").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of ____________________ (this date must be not more than 60 days before the date of this Semi-Annual Report).

A. Description of the Property currently owned by the Property Owner in Improvement Area B of the District (the "Property"): in substance and form similar to such information in the Official Statement for the Bonds.

____

____

B. Updated information regarding land development and home construction activities with respect to the Property described in the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate:

____

____

C. Status of building permits and any material changes to the description of land use or development entitlements for the Property described in the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate:

____

____

D. Status of any land purchase contracts with regard to the Property, whether acquisition of land in Improvement Area B by the Property Owner or sales of land to other property owners (other than individual homeowners).

____

____

II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any material change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement. To the extent that the ownership of the Property Owner has changed, describe all material terms of the new ownership structure.

____

____

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

____

____

IV. Change in Relationship with Merchant Builders

To the extent a relationship exists between the Property Owner and a merchant builder, describe any material change in such relationship with respect to the construction, marketing and sale of homes within Improvement Area B. To the extent that a new merchant builder has been engaged to carry out home construction, marketing and sales activity by the Property Owner in Improvement Area B, fully describe all material terms of the relationship between the Property Owner and any such new merchant builder.

____

____

V. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the heading "PROPERTY OWNERSHIP AND DEVELOPMENT STATUS" that would materially and adversely interfere with the Property Owner's ability to develop and sell the Property as described in the Official Statement.

____

____

VI. Status of Tax Payments

Describe status of payment of taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property owned by the Property Owner and its Affiliates.

____

____

VII. Other Material Information

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

____

____

Certification

On behalf of the Property Owner, the undersigned officer or representative, based on actual knowledge after reasonable inquiry of employees of Property Owner and its affiliates, hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Property Owner under the Disclosure Certificate.

ANY OTHER STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated:________________________

____
a _______________

By:______________________________

Its:______________________________

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APPENDIX G

FORM OF OPINION OF BOND COUNSEL

________, 2019

City Council
City of Fairfield
1000 Webster Street
Fairfield, CA 94533

OPINION: $19,865,000 Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield) Special Tax Bonds, Series 2019A

Members of the City Council:

We have acted as bond counsel to the City of Fairfield (the "City") in connection with the issuance by the City, for and on behalf of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield) with respect to its Improvement Area B of the City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield), of the captioned bonds, dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), a resolution of the City Council adopted July 16, 2019 (the "Resolution") and a Fiscal Agent Agreement (the "Fiscal Agent Agreement"), dated as of August 1, 2019 by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). Under the Fiscal Agent Agreement, the City has pledged certain revenues ("Special Tax Revenues") for the payment of principal, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a general law city duly created and validly existing under the laws of the State of California with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.

3. The Fiscal Agent Agreement creates a valid lien on the Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued under the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the City, and are valid and binding limited obligations of the City, payable solely from the Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement 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,

A Professional Law Corporation

APPENDIX H

APPRAISAL REPORT AND SUPPLEMENT TO APPRAISAL REPORT

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BBG

SP Subdivision Practice

Third-party reports by a true third party

Appraisal Report

Improvement Area B of City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)

Residential Subdivision
SEQ of Manuel Campos Pkwy. & Clay Bank Rd.
Fairfield, CA 94533

Prepared For

Ms. Emily Combs
Finance Director
City of Fairfield
1000 Webster Street
Fairfield, CA 94533

Report Date

June 13, 2019

Date of Value

April 17, 2019

Prepared By

BBG, Inc., Northern California
1708 Q Street
Sacramento, CA 95811
Client Manager: Jarrod Hodgson, MAI

VALUATION ADVISORY ASSESSMENT

BBG

Subdivision Practice

June 13, 2019

Ms. Emily Combs
City of Fairfield
1000 Webster Street
Fairfield, CA 94533

Re: Appraisal of Real Property
Improvement Area B of City of Fairfield Community Facilities District No. 2016-1
(Villages at Fairfield)
SEQ of Manuel Campos Pkwy. & Clay Bank Rd.
Fairfield, CA 94533

Dear Ms. Combs,

BBG, Inc. – Northern California is pleased to submit the accompanying appraisal of Improvement Area B of City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield), or "CFD No. 2016-1 IA B," commonly referred to in this report as "the CFD." This report is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (CDIAC).

The CFD has been established to create a land-secured funding mechanism for authorized facilities. The CFD No. 2016-1 IA B bonds (the "Bonds") will reimburse for eligible facilities completed by Rancho Tolenas Corp. doing business as (dba) Lewis Group of Companies (the "Master Developer").

The subject property is identified as Units 1 through 4 in Village 1 of "The Villages at Fairfield" residential subdivision in Fairfield, Solano County, California. As of the date of inspection, the subject property consisted of 38 completed homes that had sold and transferred to individual homeowners, 10 completed model homes, 83 homes under construction, 94 finished lots, 73 near-finished lots, 15 partially finished lots and 118 rough-graded lots. Ownership in the project is divided between Rancho Tolenas Corp., Villages at Fairfield LLC (dba Discovery Homes), Richmond American Homes of Maryland Inc., Tri Pointe Homes Inc. and 38 individual homeowners. The subject property excludes properties within the CFD not subject to the Special Tax, such as public/quasi public or miscellaneous land. The subject is more fully described within the attached report.

The values estimated herein are based on a hypothetical condition. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis." As of the date of value, the Bonds had not been sold. The market value is based on the hypothetical condition that, as of the date of value, the Bonds had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.

We have been requested to provide market value by ownership, as well as the aggregate value of the subject property. The Dictionary of Real Estate Appraisal defines aggregate value as the "total of multiple of market value conclusions." The aggregate value is not equal to the market value of the subject property in bulk. This methodology is typical for bond financing appraisals and is consistent with the Appraisal Standards for Land-Secured Financings by CDIAC, which indicates "To the extent that the development plan is composed of subunits or phases owned by different parties, the appraiser should seek to determine the value of each subunit or phase independently."

Based on our inspection of the property and the investigation and the analysis undertaken, we have developed the following value opinion(s).

VALUATION

Ownership	Area	Description	Value by Ownership (1)	
Villages at Fairfield LLC (dba Discovery Homes)	Unit 1	4 completed models, 22 partially completed homes and 41 finished lots	$13,681,000	(not-less than market value in bulk)
Rancho Tolenas Corp. (dba Lewis Group of Companies)	Unit 2	118 rough-graded lots	$11,083,000	(market value in bulk)
Richmond American Homes of Maryland Inc.	Unit 3	3 completed models, 31 partially completed homes, and 44 finished lots	$14,618,000	(not-less than market value in bulk)
Tri Pointe Homes Inc.	Unit 4	3 completed models, 30 partially completed homes, 9 finished lots, 73 near-finished lots and 15 partially finished lots	$20,235,000	(not-less than market value in bulk)
Individual Homeowners	Units 1, 3 and 4	38 completed homes	$19,845,000	(not-less than aggregate value)
			$79,462,000	(not-less-than aggregate value)

(1) Based on the hypothetical condition that the Bonds had just sold

Note: The value for 118 rough-graded lots in Unit 2 reflects the Master Developer's contractual obligation to complete $150,000 in offsite improvements benefitting Unit 4

As part of the scope of work, for 38 completed homes that have transferred to individuals and 10 model homes, our analysis assigns no value to upgrades and lot premiums. Moreover, the subject property overall contains 83 homes under construction (various stages of completion), of which 24 were "Substantially Completed," which we define as having only interior finishes and landscaping remaining. For the remaining 59 partially completed homes, we assign value for building permit fees paid only and do not assign value for vertical construction. For these reasons, certain market values by ownership and the aggregate value are not-less-than estimates.

The value conclusions are subject to the following extraordinary assumptions and hypothetical conditions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

EXTRAORDINARY ASSUMPTIONS

1. We relied on land development cost and fees provided by the Master Developer and builders. The budgeted site costs and fees appear reasonable relative to costs at other projects in the area (and costs of comparables analyzed). It is an extraordinary assumption that the said costs and fees are reasonably true and correct. Any substantial changes in costs and fees could have an effect on the value conclusions and the feasibility of development. We assume that competent and professional engineering has been completed and that the cost estimates were prepared by a qualified, professional service.

2. As of the date of value, the Master Developer has a contractual obligation to complete a project entrance on Clay Bank Road at Merriment Place for Tri Pointe Homes in Unit 4 (a condition of that sale). The only subject property owned by the Master Developer is Unit 2 (rough-graded lots). Therefore, for purposes of determining the value of the collective subject property (the residential lots and homes within Units 1 through 4), it is an extraordinary assumption that the Master Developer's obligation to complete these improvements is connected to the collateral value of subject property it still owns, Unit 2. Therefore, the remaining cost of completing the Merriment Place entrance that benefits Unit 4 has been deducted as a cost obligation of Unit 2 and reflected in the estimated Unit 2 value.

HYPOTHETICAL CONDITIONS

1. As of the date of value, the Bonds had not been sold. The values estimated herein are based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.

BBG, Inc. - Northern California appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact us.

Sincerely,

BBG, Inc.

Jarrod Hodgson, MAI
Director of Subdivision Practice - California
CA Certified General Real Estate Appraiser
No. AG040480
Ph: (916) 949-7362
Email: jhodgson@bbgres.com

TABLE OF CONTENTS

SUBJECT PHOTOS

Project signage on Clay Bank Road at Gulf Dr.

Looking north on Clay Bank Road at Gulf Dr. (future widening to be completed by non-subject properties

Model homes of Avery by Discovery Homes (Unit 1)

Lot terracing and leveled building pads in Unit 1

Looking west across Unit 1 toward Avery models

Looking south across Unit 1 toward Unit 3

Muse Way (a street of mostly completed/transferred homes in Unit 1)

Home under construction on Lot 23 in Unit 1, appraised with no value assigned to vertical construction (not-less-than estimate)

Looking east at Gulf Dr. terminating at Unit 2

Looking east across Unit 2

Looking northeast across Unit 2

Looking south along Inspiration Dr. (Unit 3)

Model home at Larkspur by Richmond American (Unit 2)

Homes under construction on Friendly Valley Ln. (Unit 3)

Project marquee/signage on Clay Bank Road at Horizon Drive entrance (Unit 4)

Sales center of Lantana by Tri Pointe (Unit 4)

Model home at Lantana by Tri Pointe (Unit 4)

Project entrance at Cement Hill Road in Unit 4 (under development, to be completed by Master Developer after date of value)

Looking southwest along Passion Ln. in Unit 4 (under development, an obligation of Tri Pointe)

Looking west across Unit 4 at homes under construction by Tri Pointe

Final asphalt layer not yet completed west of Horizon Circle in Unit 4 (to be completed by Tri Pointe)

Looking south along Retreat Way in Unit 4 (final asphalt layer to be completed by Tri Pointe)

Looking northeast at Unit 4 lots with wrought-iron fencing abutting open space area

Homes under construction (foundations in foreground) and Substantially Competed homes (background) in Unit 4

SUMMARY OF SALIENT FACTS

Property	The subject property is 38 completed and sold production homes, 10 completed model homes, 83 partially completed homes, 94 finished lots, 73 near finished lots, 15 partially finished lots and 118 rough-graded lots, within City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield), or "CFD No. 2016-1 IA B," commonly referred to in this report as "the CFD."
Location	The subject project is located at the southeast quadrant of Manuel Campos Parkway and Clay Bank Road, within the city of Fairfield, Solano County, California 94533.
Assessor Parcel Numbers	Please refer to the *Property Analysis* section for a complete list of Assessor parcel numbers.
Ownership	38 completed homes have transferred to individual buyers, which includes 20 homes built by Discovery Homes, 15 homes built by Richmond American Homes and 3 homes built by Tri Pointe Homes. Villages at Fairfield LLC (dba Discovery Homes) retains ownership of 4 completed model homes, 22 partially completed homes and 41 finished lots. Richmond American Homes of Maryland Inc. retains ownership of 3 completed model homes, 31 partially completed homes and 44 finished lots. Tri Pointe Homes Inc. retains ownership of 3 completed model homes, 30 partially completed homes, 9 finished lots, 73 near-finished lots and 15 partially finished lots. Rancho Tolenas Corp. retains ownership of 118 rough-graded lots.
Zoning	RLM-5 (Unit 1), RLM-4:5 (Unit 2) and RLM (Units 3 and 4)
Entitlements	Final subdivision maps have recorded for Units 1 (87 lots), 3 (93 lots) and 4 (133 lots). Unit 2 has tentative map approval, as part of a larger map tentative map concept for Village 1 that was approved in 2015. The entitlements are vested by a Second Restated Development Agreement that was authorized for execution on November 17, 2015.
Flood Zone	Zone X – Outside the 500-year floodplain.
Highest and Best Use	Single-family residential development, as currently approved.
Exposure Time	6 months
Marketing Time	6 months

Property Rights Appraised Fee Simple Estate

Effective Date of Value: April 17, 2019 (date of inspection)

Not-Less-Than Value:

VALUATION

Ownership	Area	Description	Value by Ownership (1)	
Villages at Fairfield LLC (dba Discovery Homes)	Unit 1	4 completed models, 22 partially completed homes and 41 finished lots	$13,681,000	(not-less than market value in bulk)
Rancho Tolenas Corp. (dba Lewis Group of Companies)	Unit 2	118 rough-graded lots	$11,083,000	(market value in bulk)
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Individual Homeowners	Units 1, 3 and 4	38 completed homes	$19,845,000	(not-less than aggregate value)
			$79,462,000	(not-less-than aggregate value)

(1) Based on the hypothetical condition that the Bonds had just sold

Note: The value for 118 rough-graded lots in Unit 2 reflects the Master Developer's contractual obligation to complete $150,000 in offsite improvements benefitting Unit 4

The values reported above are subject to the extraordinary assumptions, hypothetical conditions, standard assumptions and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the client and stated intended users may use or rely on the information, opinions and conclusions contained in the report.

GENERAL INFORMATION

IDENTIFICATION OF THE SUBJECT PROPERTY

Northeasterly view of the Improvement Area B

The subject property is identified as Units 1 through 4 in Village 1 of "The Villages at Fairfield" residential subdivision in Fairfield, Solano County, California. As of the date of inspection, the subject property consisted of 38 completed homes that had sold and transferred to individual homeowners, 10 completed model homes, 83 homes under construction, 94 finished lots, 73 near-finished lots, 15 partially finished lots and 118 rough-graded lots. Ownership in the project is divided between Rancho Tolenas Corp., Villages at Fairfield LLC (dba Discovery Homes), Richmond American Homes of Maryland Inc., Tri Pointe Homes Inc. and 38 individual homeowners. The subject property excludes properties within the CFD not subject to the Special Tax, such as public/quasi public or miscellaneous land.

The subject lots are proposed homes are summarized below.

LOT AND PRODUCT SUMMARY

Village ID	Project	Typical Lot Size (SF)	Number of Lots	Home Size Range (SF)	Builder's Avg. Home Size (SF)
Unit 1	Avery at The Villages by Discovery Homes	5,000	87	2,105 to 3,106	2,655
Unit 2	*	4,500	118	*	*
Unit 3	Larkspur at The Villages by Richmond American	3,500	93	2,090 to 2,250	2,163
Unit 4	Lantana at The Villages by Tri Pointe Homes	3,375	133	1,817 to 2,427	2,191

*Unit 2 is owned by the Master Developer; lots have not yet sold to a merchant builder

An exhibit reflecting subject land holdings is provided below.

LOCATION OF BUILDERS IN SUBJECT PROPERTY

Note: Does not reflect homes that have transferred to individuals. Imagery as of September 2018

The subject is located on the eastern fringe of a suburban development area, where land uses are transitioning from industrial/heavy commercial to suburban. West of the subject are suburban residences built within the last 20 years, and to the north of the subject is Manuel Campos Parkway. To the immediate south, the subject project is bordered by a “Linear Park,” a proposed pedestrian/bicycling path to be built atop an underground waterline. Across Linear Park from the southwest subject corner is a drainage course open space area, and across Linear Park from the southeast subject corner are existing single-family homes built within the last 15 years; and between these two points to the south is the Village 2 area of The Villages project, which is currently being marketed for sale to builders. Further south is the Solano County Detention Facility. Bordering the subject to the east is a Cemex cement plant.

PROJECT HISTORY

The City of Fairfield approved the Environmental Impact Report for the Villages at Fairfield on September 20, 2005. On November 17, 2015, the City Council authorized execution of a Second Restated Development Agreement between the City and the Master Developer. The overall project contains 431 gross acres divided into five separate development projects (Villages 1, 2, 3, 4 and Laurel Creek Plaza commercial center). The original project was approved for 2,327 residential units, 22.2 acres of commercial retail and mixed uses, and 12.5 acres of business industrial park uses. The number of residential units was reduced by application in 2011, which also involved shifting residential uses onto the previously planned business park industrial land. The density was again reduced by application in 2015. The 2015 changes required modifications to the General Plan and zoning. The overall project is currently approved and planned for 1,830 residential units and 22.2 acres of commercial retail and mixed uses.

SUBJECT PROJECT TO DATE

On April 4, 2017, the City Council approved Large Lot Final Maps for Village 1. Small lot final maps for Units 1, 3 and 4 were recorded in 2018.

Richmond American commenced sales at its Larkspur project on March 31, 2018; Discovery Homes commenced sales at its Avery project on September 30, 2018; and Tri Pointe Homes commenced sales at its Lantana project on October 13, 2018. The subject project is summarized below.

SUBJECT PROPERTY SUMMARY

			Completed		Under Construction		Lots			
Owner	Unit	Total Planned	Homes Built/ Transferred to Individuals	Completed Model Homes	Substantially Completed/Not Closed	Other Partially Completed Homes (Not Substantially Completed)	Finished Lots	Near-Finished Lots	Partially Completed	Primarily unimproved (Rough-Graded)
Villages at Fairfield LLC (dba Discovery Homes)	Unit 1	87	20	4	4	18	41	-	-	-
Rancho Tolenas Corp. (dba Lewis Group of Companies)	Unit 2	118	-	-	-	-	-	-	-	118
Richmond American Homes of Maryland Inc.	Unit 3	93	15	3	9	22	44	-	-	-
Tri Pointe Homes Inc.	Unit 4	133	3	3	11	19	9	73	15	-
		431	38	10	24	59	94	73	15	118
		431 in Total	48 Completed Homes		83 Under Construction		94 Finished Lots	73 Near-Finished Lots	15 Partially Finished Lots	118 Rough-Graded Lots
	% of Total	100%	11% of Total		19% of Total		39% of Total		31% of Total	

CURRENT OWNERSHIP AND SALES HISTORY

The Master Developer of the subject property is Rancho Tolenas Corp., which acquired the larger project in bulk more than three years before the date of value. In 2018, the Master Developer sold Units 1, 3 and 4 to production home builders. These transactions are summarized below.

PRIOR SALES HISTORY

	Unit 1 (87 lots, 5,000 SF)	Unit 3 (93 lots, 3,500 SF)	Unit 4 (133 lots, 3,375 SF)
When Negotiated	Fall '16/Winter '17	Fall '16/Winter '17	Fall '16/Winter '17
Sale Date	April 20, 2018	March 2, 2018	March 28, 2018
Seller	Rancho Tolenas Corp.	Rancho Tolenas Corp.	Rancho Tolenas Corp.
Buyer	Villages at Fairfield LLC (dba Discovery Homes)	Richmond American Homes of Maryland Inc.	Tri Pointe Homes Inc.
Sale Price	$11,919,000	$6,606,000	$8,572,500
Price/Lot	$137,000	$71,032	$64,455
Lot Condition at Time of Sale	Finished	Rough-graded primary backbone infrastructure in place	Rough-graded primary backbone infrastructure in place
Recording Instrument Number	201800026794	201800014954	201800021459
Market Pricing at Time of Sale	Yes	Yes	Yes
Arm's-Length	Yes	Yes	Yes
Profit Participation	None	50% of net profits above 10%	50% of net profits above 10%

The Master Developer retains ownership of Unit 2, which contains 118 rough-graded lots. The Master Developer indicates it plans to sell Unit 2 to a production builder at a later date. The remaining subject lots are owned by builders intending to construct homes, and these builder lots are not listed for sale. To our knowledge, besides ongoing home sales, we are not aware of any other subject transactions within the last three years.

Later in in this report, we estimate finished lot values for Units 1, 3 and 4. For Unit 1, we estimate a finished lot value of $147,559/lot, which is higher than the 2018 sale price of $137,000 because (1) prices have increased slightly and (2) the subject lots in Unit 1 are now fewer in number. Units 3 and 4 were purchased as blue-topped lots and each builder buyer spent approximately $30,000/lot to complete development. With profit on site development estimated at 10% of site development, the respective purchase bases of Units 3 and 4 equate to around $104,000/lot and $97,000/lot, respectively. In this report, we estimate finished lot values of $128,379/lot and $117,509 for Units 3 and 4. The difference between the purchase price bases and the estimated values is reasonable for the same reasons (market price increases, fewer subject lots remaining). Moreover, it is also reasonable that the market price increases for smaller, more affordable product (such as the Units 3 and 4 lots) would have outpaced larger, less affordable product over the last 12 to 18 months.

Home sales within the subject property are summarized below.

HOME SALES HISTORY

Project	Open Date	Homes Sold* Thru Date of Value	Marketing Period (months)	Sales Per Month
Avery at The Villages by Discovery Homes	9/30/2018	26	6.6	3.9
Larkspur at the Villages by Richmond American Homes	3/31/2018	56	12.7	4.4
Lantana at The Villages by Tri Pointe Homes	10/13/2018	25	6.2	4.0

*Includes homes under contract that have not closed escrow

As will be later discussed in the *Residential Market Overview*, the 4th Quarter of 2018 was difficult on most projects across the State and region due to declining affordability (rising home prices coupled with interest rate increases). Many projects in Northern California offered significant incentives in the form of discounted upgrades and additional closing costs to clear year-end standing inventory. Some projects countered with a price reduction or "reset."

The subject project "Larkspur" by Richmond American in Unit 3 came online on March 31, 2018. The project had mostly steady asking prices in 2018, but countered declining sales with increased incentives, with 3% of closing costs a standard offering. From 4th Quarter 2018 to current, the project has increased base prices slightly (around $10,000) but continues to offer the 3% incentive (typically paid in the form of closing costs).

The subject projects "Avery" by Discovery Homes in Unit 1 and "Lantana" by Tri Pointe Homes in Unit 4 came online on September 30, 2018 and October 13, 2018, respectively, during one of the worst sales quarters in recent history for the State and region. At Avery, rather than reduce prices, this project—from inception through the date of value—has held base prices steady and has offered incentives/concessions to buyers on a case-by-case basis. Like most other projects in the region, most of the standing inventory that began to accumulate in late 2018/early 2019 has been cleared as of April 2019, with 2019 demand increasing amid lower interest rates in 2019 coupled with the spring buying season.

At Lantana, depending on plan, current asking prices are around $15,000 to $30,000 less than when the project opened. Like Avery, most of its standing inventory has been cleared and a steadier price and sales environment is expected in the coming months.

Later in this report, we estimate base floor plan values for each product line. Below we compare our estimated base plan values with base prices on the date of value.

BASE HOME VALUE CONCLUSIONS

Product Line	Plan	Living Area (SF)	Estimated Current Retail Value	Base List Price (1)	$ Difference	% Difference (Absolute)	Unit Mix
Unit 1 - Avery at The Villages	Plan 1	2,105	$540,000	$550,000	-$10,000	1.8%	23
Discovery Homes	Plan 2	2,602	$560,000	$555,000	$5,000	0.9%	20
	Plan 3	2,841	$570,000	$590,000	-$20,000	3.4%	23
	Plan 4	3,106	$580,000	$599,000	-$19,000	3.2%	21
	Weighted	2,655	$562,184	$573,552	-$11,368	2.0%	87
Unit 3 - Larkspur at The Villages	Plan 1	2,090	$475,000	$494,950	-$19,950	4.0%	18
Richmond American	Plan 2	2,100	$475,000	$492,950	-$17,950	3.6%	25
	Plan 3	2,190	$485,000	$499,950	-$14,950	3.0%	25
	Plan 4	2,250	$490,000	$510,950	-$20,950	4.1%	25
	Weighted	2,163	$481,720	$500,058	-$18,337	3.7%	93
Unit 4 - Lantana at The Villages	Plan 1	1,817	$450,000	$471,900	-$21,900	4.6%	20
Tri Pointe Homes	Plan 2	2,057	$470,000	$485,900	-$15,900	3.3%	33
	Plan 3	2,254	$485,000	$495,680	-$10,680	2.2%	40
	Plan 4	2,427	$500,000	$516,900	-$16,900	3.3%	40
	Weighted	2,191	$480,526	$496,059	-$15,533	3.1%	133

(1) Does not reflect incentives

Shown above, the appraiser-estimated current retail home values are below the project asking prices. The price differences are not reflected on a projected long-term trend; rather, as stated the 4th Quarter of 2018 was challenging for new home projects, which led to higher-than typical incentives (closing costs, free upgrades, etc.). Our home value estimates rely heavily on closing prices from the subject project, of which nearly all were sold during a challenging sales season. This fact, coupled with builders' reluctance to reduce prices as interest rates have decreased and sales have increased, have led to a temporary disconnect in value and asking prices. The estimated value and asking price differences are expected to narrow as 2019 ensues amid a steadier pricing and sales environment. Moreover, despite market challenges, sales rates to date (around 4 per month per project) have out-paced most other suburban projects in the region for the same competitive time period.

FACILITIES TO BE FINANCED BY THE DISTRICT

Bonds issued by Community Facilities District No. 2016-1 (and in each of its four improvement areas) will assist with the financing of capital improvements and the costs of issuance. As stated, the subject property is Improvement Area B of Village 1 of the CFD. Specifically, per City Fairfield Resolution No. 2016-238, the "eligible facilities" include: roadway, bridge, sewer, water, reclaimed water, dry utilities, storm drain, street and parkway landscaping, curb and gutter, medians, median landscaping, traffic signals, entry signage, parks, trails, police facilities, fire facilities and community center, appurtenances and appurtenant work and development impact fees; as well as "Other" such as Bond related expenses, administrative fees, reimbursement of costs of CFD formation, and all costs and incidental expenses related to eligible facilities.

Principal and interest on the Bonds will be paid by a Special Tax levied against the subject property. This report is based on a hypothetical condition that the Bonds have just been sold and the subject properties are encumbered by the Special Tax.

The cost of eligible facilities in the CFD at the time of formation total approximately $60 million, including soft costs but excluding any ENR (Engineering News Record) cost index adjustments. Note that the Improvement Area B Bonds are expected to fund a reimbursement of approximately $18+ million (as of the date of this appraisal, preliminary) to the Master Developer for eligible facilities completed.

Builders within the subject are contractually obligated to pass through CFD reimbursements to the Master Developer. Therefore, the bond proceeds do not "run with the land" and do not create additional subject property value.

INTENDED USER AND INTENDED USE

The client and intended user is City of Fairfield. Other intended users identified by the client include legal counsel and underwriter. This appraisal report may only be relied upon by the client and intended user(s) named herein. The intended use is for bond financing.

PRIOR SERVICES

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value of the subject property by ownership and the aggregate value of all taxable property, as of the date of value, April 17, 2019, which represents the date of inspection. The values are subject to a hypothetical condition that the CFD Bonds have sold. The appraisal is valid only as of the stated effective date or dates. The date of the report is June 13, 2019, which is the date this report was delivered to the client.

PROPERTY RIGHTS APPRAISED

As stated above, our analysis pertains to the fee simple interest in the subject property. This is defined as follows:

> Fee simple: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

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

DEFINITION OF MARKET VALUE

Pertinent definitions, including the definition of market value, are included in the glossary, located in the Addenda to this report. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

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

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

Source: Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472

LOT DEFINITION(S)

Note that in this report, the term "finished lot" means all site development is completed, final map has recorded, and all development fees due at final map have been paid. A finished lot does not include fees due at building permit, since these items are associated with home construction. The definition of finished lot utilized in this report is shared by market participants in the Northern California region.

APPLICABLE REQUIREMENTS

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

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

LEVEL OF REPORTING DETAIL AND APPLICABLE REQUIREMENTS

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report which, at a minimum, must summarize the appraiser's analysis and the rationale for the conclusions.

This appraisal report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, as well as any additional standards of the client and intended users.

APPRAISER COMPETENCY

No steps were necessary to meet the competency provisions established under USPAP. We have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, we have adequate experience and qualifications to appraise the subject. Appraiser certifications and qualifications are included in the Addenda of this report.

SIGNIFICANT PROFESSIONAL ASSISTANCE

No one provided significant real property appraisal assistance to the person signing this certification.

SCOPE OF WORK

The intended use and intended user(s) of this appraisal report, characteristics and complexity of the subject property, market conditions, widely-accepted methods and practices within the appraisal profession, and other pertinent factors were all considered in our determination of scope of work, which is detailed in the following sections.

VALUATION METHODOLOGY

Appraisers typically consider utilizing the cost, sales, and/or income capitalization approach in developing an opinion of value. The applicability of each approach is determined by the economic characteristics of the property, the availability of reliable data, and the common practice of market participants that reflect the most likely purchaser of the subject property.

The valuation begins with the proposed home construction, where the sales comparison approach is the most applicable approach and sufficient sales data is available. In the sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparables and subject. The adjusted values are reconciled into final conclusions of value. The cost approach for retail home valuation is not applicable since such an analysis would rely on a retail lot valuation, and there is not an active market of retail lot sales of lots designed and intended for production homes (such lots are primarily sold in bulk to merchant builders). While a separate cost approach is not utilized, note that we conduct a "top down" land value analysis that considers all anticipated construction costs relative to anticipated home prices. This method is effectively a reverse cost approach that may also be used to gauge financial feasibility. Moreover, the income capitalization approach is not applicable for the completed homes because, while single-family homes can produce income, the market is owner-user dominated with prices established based on sales. For the valuation of the homes in bulk, the estimated home values are incorporated into a discounted cash flow analysis that considers the time and cost of selling the homes over an estimated absorption period.

In the valuation of the subject lots, we utilize the sales comparison and the income capitalization approach, which, for subdivision analysis, is commonly referred to as the subdivision development method. The sales comparison approach considers area bulk lot sales, with adjustments applied accordingly relative to the subject. The subdivision development method is a discounted cash flow analysis that reflects anticipated home prices and costs over an absorption period, leading to an estimate of residual land value. The projected cash flows have a finite life that corresponds with the sellout of the project.

A traditional cost approach for the subject lots is not applicable. However, in the finished lot valuation, we utilized numerous land sales, some of which were vacant land sales. We considered the cost of completing site improvements for each sale when determining an estimate of finished lot value; and from this value, we deducted the subject's projected remaining site improvement costs (if any) to arrive at an estimate of as is value. The same value could have been resulted had the comparables been analyzed on an unimproved or partially finished basis, with adjustments made for projected site development cost differences. From this value, we could have added the subject's projected remaining site development costs and arrived at an estimate of finished lot value. However, this method is not utilized by market participants, who prefer to analyze land deals on an "all in" land plus cost basis. The method applied in this report mirrors how market participants analyze like property. Moreover, in arriving at an estimate of finished lot value, costs associated with proposed home construction relative to current home pricing were considered in the subdivision development method.

RESEARCH AND ANALYSIS

In preparing this appraisal and over the course of this assignment, we performed extensive research and analysis of the subject, its competitors, and the broader market factors that impact value. The type and extent of our research and analysis is described throughout the report as it pertains to each section. In summary:

- Researched the legal and physical attributes of the subject property including: a physical inspection of the property was completed and serves as the basis for the site description contained in this report; representatives of the Lewis Group of Companies, Discovery Homes, Richmond American Homes and Tri Pointe Homes provided general subject project information such as home sales and costs; the sales history was verified by consulting public records (Parcelquest); zoning and entitlement information was obtained from the City of Fairfield Planning Department; the subject's earthquake zone, flood zone and utilities were verified with applicable public agencies; property tax information for the current tax year was obtained from the Solano County Tax Collector's Office.

- Analyzed and documented data relating to the subject's neighborhood and surrounding market areas. This information was obtained through personal inspections of portions of the neighborhood and market areas, newspaper articles and interviews with various market participants.

- Determined the highest and best use of the subject property as though vacant, based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). As will be shown in the *Highest and Best Use Analysis* section, the highest and best use of the subject property is for single-family residential homes (production homes).

- Gathered information on comparable properties and confirmed comparable transactions. We also relied on comparable information (sales, costs, permits and fees) that we had retained in our appraisal files and which may have resulted from prior interviews with market participants. The type and extent of our research and analysis is detailed in individual sections of the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

- Estimated reasonable exposure and marketing times associated with the market value estimates.

INSPECTION DETAILS

Jarrod Hodgson, MAI, conducted an on-site inspection of the property of the subject on April 17, 2019.

REGIONAL ANALYSIS

VALLEJO MSA (SOLANO COUNTY) AREA ANALYSIS

The subject is in the Vallejo-Fairfield MSA (the “Vallejo MSA”); the boundaries of which are coterminous with Solano County. The Vallejo MSA is 822 square miles in size and ranks 122 in population out of the nation’s 381 metropolitan statistical areas. Solano County is in Northern California's nine-county Bay Area region; the city of Fairfield in Solano County is approximately 40 miles northeast of San Francisco.

POPULATION

The Vallejo MSA has an estimated 2018 population of 448,976, which represents an average annual 8.6% increase over the 2010 census of 413,344. The Vallejo MSA’s annual growth rate exceeded the State of California rate of 7.3%.

POPULATION TRENDS

	Population			Compound Ann. % Chng	
	2010 Census	2019 Est.	2024 Est.	2010 - 2019	2019 - 2024
Vallejo MSA	413,344	448,976	468,701	8.6%	4.4%
California	37,253,956	39,964,848	41,541,098	7.3%	3.9%

Source: Spotlight Demographics

Looking forward, the Vallejo MSA's population is projected to increase at a 4.4% annual rate from 2019-2024. The Vallejo MSA's growth rate is expected to be slightly higher than California, which is projected to be 3.9%.

EMPLOYMENT

Total employment in the Vallejo MSA is currently estimated at 199,300 jobs. Between year-end 2006 and year-end 2017, employment increased by 1,600 jobs, equivalent to a 0.8% increase over the entire period. There were gains in employment in seven out of the past ten years despite the national economic downturn and slow recovery. Although the Vallejo MSA's employment rose over the last decade, it underperformed California, which experienced an increase in employment of 10.3% or 1,730,600 jobs over this period.

A comparison of unemployment rates is another way of gauging an area’s economic health. Over the past decade, the Vallejo MSA unemployment rate has been on par with than that of California, with an average unemployment rate of 8.0%, similar to that of California. Recent data shows that the Vallejo MSA unemployment rate is 3.5% in comparison to a 4.3% rate for California.

EMPLOYMENT TRENDS

	Total Employment (Annual Avg.)				Unemployment Rate (Ann. Avg.)	
Year	Vallejo-Fairfield MSA	% Change	California	% Change	Vallejo-Fairfield MSA	California
2008	196,500		16,854,500		6.90%	7.3%
2009	192,200	-2.2%	16,182,600	-4.0%	10.40%	11.2%
2010	177,000	-7.9%	16,091,900	-0.6%	12.60%	12.2%
2011	177,600	0.3%	16,258,100	1.0%	12.20%	11.7%
2012	181,000	1.9%	16,602,700	2.1%	10.70%	10.4%
2013	184,600	2.0%	16,958,700	2.1%	9.10%	8.9%
2014	187,500	1.6%	17,348,600	2.3%	7.50%	7.5%
2015	192,500	2.7%	17,723,300	2.2%	6.10%	6.2%
2016	196,000	1.8%	18,065,000	1.9%	5.50%	5.1%
2017	198,500	1.3%	18,302,800	1.3%	4.80%	4.8%
2018	201,600	1.6%	18,582,800	1.5%	3.90%	4.2%
Overall Change 2008-2018	5,100	2.6%	1,728,300	10.3%		
Avg. Unemp. Rate 2008-2018					8.2%	8.1%
Unemployment Rate - Jan-2019					4.7%	4.8%

Source: Employment Development Department. Figures not seasonally adjusted

Major employers in Solano County are shown in the following table. As shown, Travis Air Force Base is the largest employer in the area. The Air Force base is located three miles east of the subject.

MAJOR EMPLOYERS – VALLEJO-FAIRFIELD MSA

Rank	Company	Number of Employees	Rank	Company	Number of Employees
1	Travis Air Force Base	12,875	11	Vacaville Kaiser Permanente	1,075
2	Vallejo Kaiser Permanente	3,906	12	Genentech Inc.	1,200
3	Solano County	2,850	13	Vallejo Sutter Health Medical Center	690
4	California Medical Facility	1,216	14	Solano Community College	650
5	Fairfield-Suisun School District	2,000	15	ALZA Corporation	535
6	Six Flags Discovery Kingdom	1,932	16	Westamerica Bank A-2M	356
7	Vallejo City School District	1,515	17	Valero Refining Company California	516
8	California State Prison Solano	1,098	18	VacaValley Hospital	201
9	Fairfield NorthBay Healthcare System	1,115	19	City of Vallejo	466
10	Vacaville School District	1,100	20	Benicia School District	465

Source: Solano Economic Development Corporation

According to the Travis Air Force Base website, the base employees around 3,700 civilian personnel.

EMPLOYMENT SECTORS

The composition of the Vallejo MSA job market is depicted in the following chart, along with that of California. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from smallest to largest based on the percentage of Vallejo MSA jobs in each category.

The Vallejo MSA has greater concentrations than California in the following employment sectors:

1. Trade; Transportation; and Utilities, representing 19.2% of Vallejo MSA payroll employment compared to 18.0% for California as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Education and Health Services, representing 19.6% of Vallejo MSA payroll employment compared to 15.8% for California as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
3. Government, representing 18.1% of Vallejo MSA payroll employment compared to 15.1% for California as a whole. This sector includes employment in local, state, and federal government agencies.
4. Manufacturing, representing 8.9% of Vallejo MSA payroll employment compared to 7.8% for California as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.

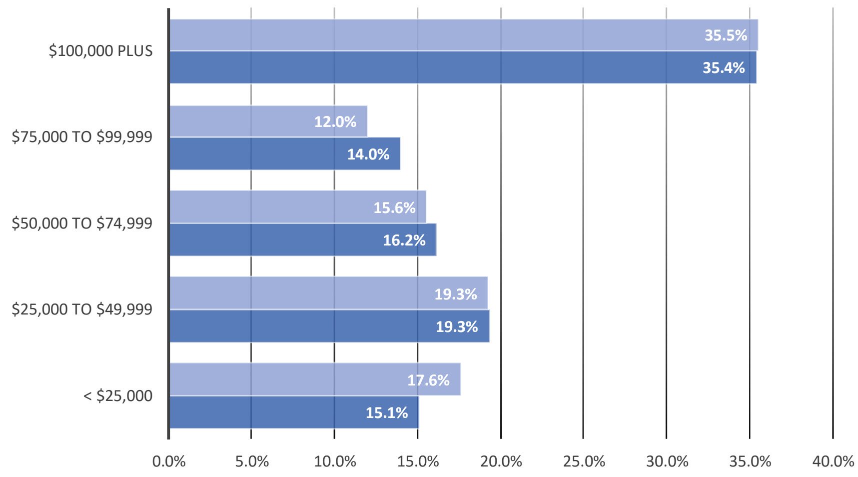
The Vallejo MSA is underrepresented in the following sectors:

1. Leisure and Hospitality, representing 10.9% of Vallejo MSA payroll employment compared to 11.7% for California as a whole. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
2. Professional and Business Services, representing 7.3% of Vallejo MSA payroll employment compared to 15.3% for California as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
3. Financial Activities, representing 3.7% of Vallejo MSA payroll employment compared to 4.9% for California as a whole. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.
4. Other Services, representing 3.0% of Vallejo MSA payroll employment compared to 3.3% for California as a whole. This sector includes establishments that do not fall within other defined categories, such as private households, churches, and laundry and dry cleaning establishments.

HOUSEHOLD INCOME DISTRIBUTION

The following chart shows the distribution of households across five income levels. The Vallejo MSA has a similar concentration of households in the higher income levels than California. Specifically, 35.4% of Vallejo MSA households are at the $100,000 or greater levels in household income as compared to 35.5% of California households. A lesser concentration of households is apparent in the lower income levels, as 15.1% of Vallejo MSA households are below the $25,000 level in household income versus 17.6% of California households.

HOUSEHOLD INCOME DISTRIBUTION



Source: Claritas, LLC.

DEMOGRAPHIC CHARACTERISTICS

The Vallejo MSA lags behind the State of California as it relates to many demographic characteristics. The Vallejo MSA average household income figure comes in at $106,106. This figure is lower than the average household income figure of $109,977 for the State of California. The median age of 38.4 in Vallejo MSA is higher than the California median age of 37.1. Additionally, 25.4% of the Vallejo MSA holds an advanced degree, a figure that is much lower than the 32.6% of California. The chart below compares the demographic characteristics of the Vallejo MSA with the State of California:

DEMOGRAPHIC CHARACTERISTICS

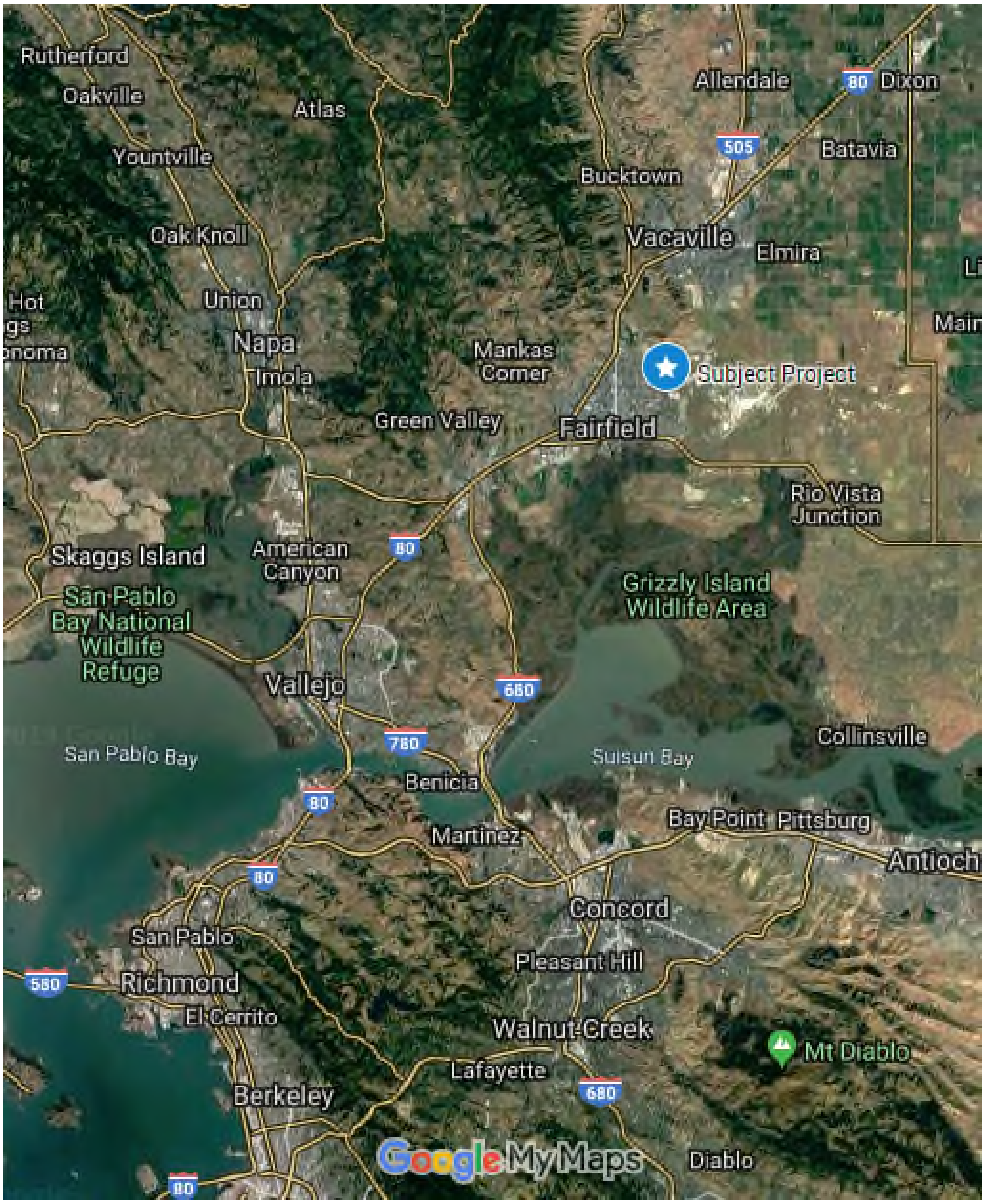
Characteristic	Vallejo-Fairfield MSA	California
Annual Population Growth -2010 to 2019	8.6%	7.3%
Unemployment Rate	4.6%	4.3%
Average Household Income	$106,106	$109,977
Median Household Income	$81,938	$74,558
Median Age	38.4	37.1
Average Household Size	2.8	2.9
Owner Occupied %	63.5%	55.9%
Percent with Bachelor's Degree or Higher	25.4%	32.6%

Source: Spotlight Demographics

CONCLUSION

The Vallejo MSA economy will benefit from a growing population base and a higher level of median household income. The Vallejo MSA experienced growth in the number of jobs and has maintained a very similar unemployment rate to that of California over the past decade. The MSA benefits from its proximity to the Bay Area, where the cost of living is elevated. The Solano County economy will be affected by a growing population base and it is reasonable to assume that employment growth will continue to occur in the future. We anticipate that the Solano County economy will improve and employment will grow, strengthening the demand for real estate.

REGIONAL MAP



NEIGHBORHOOD ANALYSIS

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as "a group of complementary land uses; a congruous grouping of inhabitants, buildings or business enterprises," as described by The Dictionary of Real Estate Appraisal.

LOCATION AND NEIGHBORHOOD BOUNDARIES

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject is located in the city of Fairfield, approximately 45 miles northeast of San Francisco, 20 miles south of Napa, and 45 miles southwest of Sacramento. Fairfield is Solano County's second largest city in terms of population behind Vallejo. Fairfield is generally neighbored by Suisun City to the southeast, Vacaville to the northeast, and Vallejo to the southwest.

ACCESS AND LINKAGES

Interstate 80 is the primary regional route and leads to San Francisco to the west. Within the neighborhood, N. Texas Street/Manuel Campos Parkway, Air Base Parkway and Travis Boulevard are the primary east-west arterials connecting with Interstate 80. The subject project is located approximately three miles east of Interstate 80 via N. Texas Street/Manuel Campos Parkway.

Approximately 1.5 miles east of the subject is the Fairfield/Vacaville Train Station, which started regular service in November 2017. The new train station is part the Amtrak Capitol Corridor, providing access to Sacramento to the east and the Bay Area Rapid Transit Train System (in Richmond) to the west. The subject property is able to connect with downtown San Francisco, the Oakland International Airport, San Francisco International Airport, as well as various other east Bay and south Bay locales, via train.

The Fairfield-Suisun Amtrak Station of the Amtrak Capitol Corridor station is located approximately eight miles southwest of the subject.

The Oakland International Airport is located approximately 55 miles southwest of the subject; and the San Francisco International Airport is located approximately 60 miles to the southwest. In addition, the Sacramento International Airport is located 40 miles to the northeast. While closer in vehicular travel miles, no direct train routes connect Fairfield with the Sacramento Internal Airport.

Two roadway projects that enhance the accessibility of the Villages at Fairfield project are the Jepson Road overpass project, which was completed in 2017 and extends multiple lanes over railroad tracks and leads directly to Travis Air Force Base, and the Jepson Parkway Project, which was completed in 2018 and widened and re-aligned Vanden Road from Peabody Road to Leisure Town Road.

DEMOGRAPHICS

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

COMPARATIVE DEMOGRAPHIC ANALYSIS

Description	1 Mile Radius Totals	3 Mile Radius Totals	5 Mile Radius Totals	Vallejo-Fairfield MSA Totals	California Totals
Population					
2019-2024 Projected Annual Rate of Growth	1.2%	0.9%	0.9%	0.9%	0.8%
2024 Projection	8,614	103,902	184,738	468,701	41,541,098
2019 Estimate	8,144	99,256	176,907	448,976	39,964,848
2010 Census	7,058	90,005	162,533	413,344	37,253,956
2000 Census	4,883	78,791	157,123	394,538	33,871,636
2019 Est. Median Age	38.04	36.12	36.20	38.40	37.06
2019 Est. Average Age	39.12	37.57	37.69	39.40	38.40
Households					
2024 Projection	2,637	33,201	60,584	165,071	14,007,885
2019 Estimate	2,498	31,481	57,567	157,018	13,477,890
2010 Census	2,173	28,026	51,900	141,758	12,577,498
2000 Census	1,545	24,928	48,484	130,404	11,502,899
2019 Est. Average Household Size	3.18	2.99	2.90	2.78	2.90
2019 Est. Average Household Income	$130,671	$98,043	$101,705	$106,106	$109,977
2019 Est. Median Household Income	$108,807	$78,676	$81,009	$81,938	$74,558
2019 Est. Tenure of Occupied Housing Units					
Owner Occupied	78.9	60.2	60.3	63.5	55.9
Renter Occupied	21.1	39.8	39.7	36.5	44.1
2019 Est. Median All Owner-Occupied Housing Value	$403,180	$359,241	$375,771	$416,589	$530,982

Source: Spotlight Demographics

As shown above, household income levels in the subject's immediate vicinity are much higher than the Vallejo-Fairfield MSA and California, with a higher concentration of owner-occupied homes.

ABILITY TO PAY

While benefitting from its proximity to the Bay Area, Fairfield (and Vacaville) are part of Solano County, where the conforming/FHA loan limit is $494,500, which is significantly less than the $726,525 loan limit of Contra Costa County (Antioch, Oakley, Brentwood) to the south and which competes for buyers. Thus, while projects in Fairfield and Vacaville have achieved steady demand, eventually continued price increases coupled with loan limits will dampen the area's ability to experience the types of price increases occurring in Contra Costa County (where 8,000 SF lot product can achieve prices in the $800,000s).

Later in this report, we estimate subject home values ranging from $450,000 to $580,000. At these price levels, and using household income figures for the one mile radius area, we estimate 77% of total households can afford to purchase the lowest estimated home value and 63% can afford to purchase the highest. The loan rates and maximum qualifying income (43%) below are based on recent quotes from reputable mortgage companies.

ABILITY TO PAY ANALYSIS

Category		Lowest
Avg. Home Price		$450,000
Less: Down Payment	20%	-$90,000
Total Loan Amounts		$360,000
First Loan - Up to Conf. Loan Limit	$360,000	
Interest Rate (First)	4.375%	
Term (Years)	30	
Monthly Mortgage Payment		$1,797
Taxes & Insurance as % of Price	1.50%	$563
Total Monthly Housing Payment		$2,360
Monthly Housing Payment	43%	$5,488
Required Annual Household Income		$65,858

Category		Lowest
Avg. Home Price		$580,000
Less: Down Payment	20%	-$116,000
Total Loan Amounts		$464,000
First Loan - Up to Conf. Loan Limit	$464,000	
Interest Rate (First)	4.375%	
Term (Years)	30	
Monthly Mortgage Payment		$2,317
Taxes & Insurance as % of Price	1.50%	$725
Total Monthly Housing Payment		$3,042
Monthly Housing Payment	43%	$7,074
Required Annual Household Income		$84,884

Household Income	% of Total	% Afford Subject
< $15,000	2.5%	-
$15,000 - $24,999	2.2%	-
$25,000 - $34,999	4.5%	-
$35,000 - $49,999	5.0%	-
$50,000 - $74,999	14.9%	6.0%
$75,000 - $99,999	15.4%	15.4%
$100,000 - $124,999	14.9%	14.9%
$125,000 - $149,000	11.6%	11.6%
$150,000+	28.9%	28.9%
	100.0%	76.8%

Household Income	% of Total	% Afford Subject
< $15,000	2.5%	-
$15,000 - $24,999	2.2%	-
$25,000 - $34,999	4.5%	-
$35,000 - $49,999	5.0%	-
$50,000 - $74,999	14.9%	-
$75,000 - $99,999	15.4%	7.7%
$100,000 - $124,999	14.9%	14.9%
$125,000 - $149,000	11.6%	11.6%
$150,000+	28.9%	28.9%
	100.0%	63.1%

Source: Spotlight Demographics

SURROUNDING LAND USES

Surrounding land uses are depicted on the map on the following page.

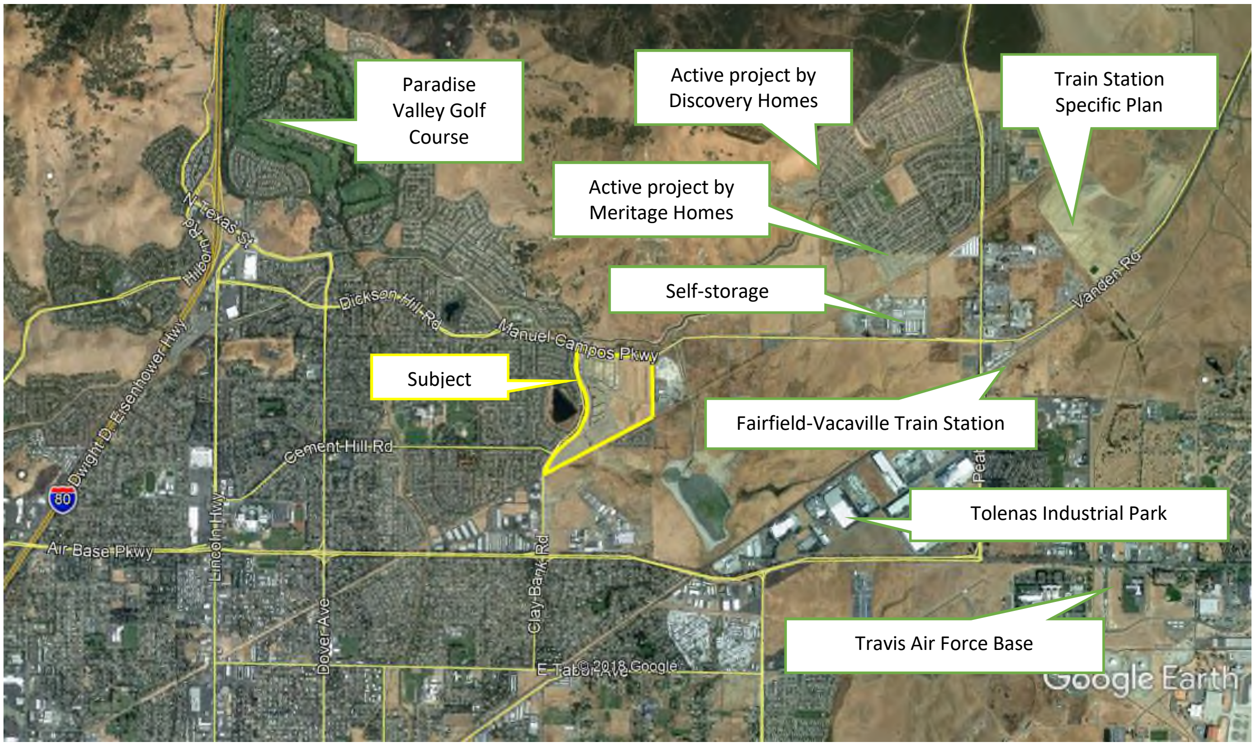
IMMEDIATE SURROUNDING LAND USE MAP

The subject is located on the eastern fringe of a suburban development area, where land uses are transitioning from industrial/heavy commercial to suburban. West of the subject is suburban residences built within the last 20 years, and to the north of the subject is Manuel Campos Parkway. To the immediate south, the subject project is bordered by a "Linear Park," a proposed pedestrian/bicycling path to be built atop an underground waterline. Across Linear Park from the southwest subject corner is a drainage course open space area, and across Linear Park from the southeast subject corner are existing single-family homes built within the last 15 years; and between these two points to the south is the Village 2 area of The Villages project, which is currently being marketed for sale to builders. Further south is the Solano County Detention Facility. Bordering the subject to the east is a Cemex cement plant.

Just north of the subject, across Clay Bank Road, are ruins of a cement factory from the early 1900s. Other ruins are located to the northwest, closer to a limestone-rich hill (aka Cement Hill) where 500 workers and their families once resided. The facility was the primary cement source in the reconstruction of San Francisco from the 1906 earthquake.

To the southeast and east of the subject is the planned Hawthorne Mill and Coopers Landing projects. Hawthorne Mill contains 379.3 gross acres planned for 625 residential units, 3.9 acres of commercial land, 6.4 acres of parks and open space, 1.5 acres for a recreation center/clubhouse area, and 270.4 acres of habitat conservation. Coopers Landing (formerly Hawthorne Mill West) contains 32.5 acres panned for 169 residential units and 1.2 acres of parks and open space. Hawthorne Mill is closest to the train station and is envisioned as a transit-oriented project.

BROADER SURROUNDING LAND USE MAP



The broader neighborhood includes a mix of land uses. The subject property is positioned adjacent to suburban uses to the west and transitioning industrial/commercial-to-suburban uses to the east.

The land area south of Gold Ridge and east of Peabody Road along Vanden Road comprises the 2,970-acre Train Station Specific Plan, which was approved in 2011. The project is designed as a transit- and pedestrian-oriented development with 6,800 housing units, of which approximately 3,000 units will be within one half mile of the train station. In 2018, the City began processing applications for the first development in the "One Lake" area. The project is in the initial stages of site development.

Significant infrastructure improvements have been completed and more are under construction which will increase the feasibility of the Train Station Specific Plan project.

Two miles southwest of the subject is Travis Air Force Base, a major employer. According to the Department of Defense, the facility has around 10,000 active duty and reservists, 13,000 family members and 3,000 civilian jobs.

Two miles northwest of the subject via Cement Hill Road and Manuel Campos Parkway is the Paradise Valley area of Fairfield, which is mostly built out. The project features mostly low density homes designed around a golf course. One the last parcels in the project is currently under development with medium density homes by Denova Homes (three story homes with third-level patios). This project is not expected to directly compete with the subject.

Supporting commercial development is located two miles to the west, where there is a CVS Pharmacy, Lowes, Raleys Supermarket and inline retail.

COMMUNITY USES

The area has numerous major hospitals, including Northbay Medical Center in Fairfield. Kaiser Permanente and Vaca Valley Hospital are located 10 minutes to the northeast in Vacaville. The subject is located in the Fairfield-Suisun Unified School District (FSUSD). Schools for the subject are summarized below. Note that the subject is located on the eastern edge of the Fairfield-Suisun Unified School District. Just to the east is the Travis Unified School District, which includes the Air Force Base, Goldridge area of Fairfield, Train Station Specific Plan area of Fairfield and the southern part of Vacaville. Schools across all segments have higher statewide percentiles in Travis Unified than Fairfield-Suisun, albeit the market does not reflect a premium for one over the other.

ASSIGNED NON-CHARTER SCHOOLS

Segment	Name	Grade Levels	Distance from Subject	2018 Statewide Percentile
Elementary	Laurel Creek	K-6	< 1.0 Mile	41%
Middle	Grange	7-8	< 2.0 Mile	21%
High School	Fairfield High	9-12	< 2.0 Mile	36%

Source: SchoolDigger.com

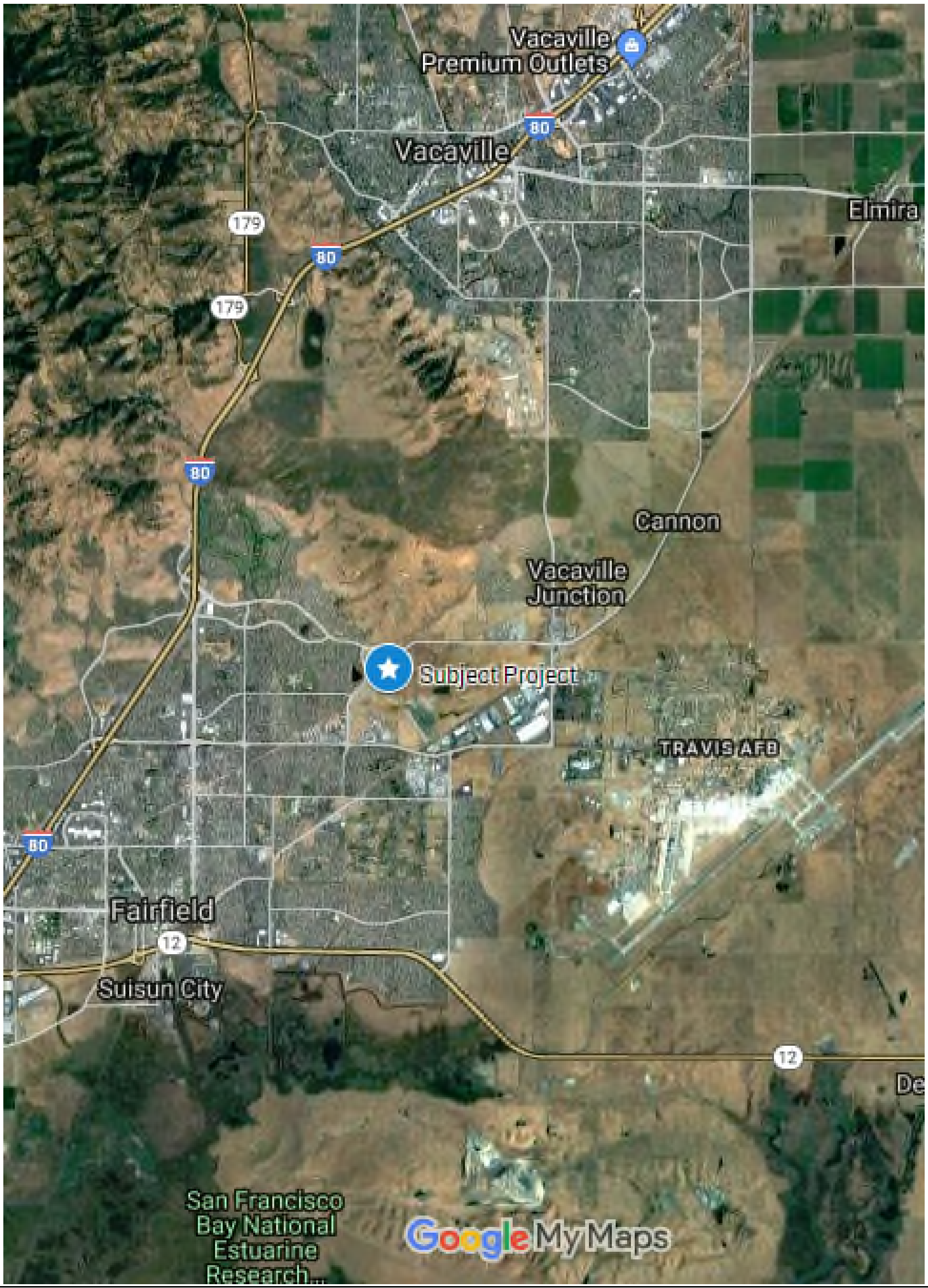
The CFD includes a future elementary school site. Per the Development Agreement, the Master Developer has dedicated an approximate two-acre portion to the FSUSD, and the remaining eight-acre portion must be acquired by the FSUSD by January 4, 2023.

The CFD is also planned for a neighborhood park, which, based on stipulations of the Development Agreement, the Developer expects will be developed in 2020. The Developer's park development costs are reimbursable within 60 days of completion.

CONCLUSION

The neighborhood is in transition and is an emerging residential area. The neighborhood will be Fairfield's primary growth area for the next several years. New residential projects are sprouting about a once heavy commercial and industrial neighborhood. Fairfield's relative affordability and good linkages into the Bay Area will continue to drive demand in the long term. When supply becomes available, it is generally well received and absorbed. We expect stable land and home values into the foreseeable future.

NEIGHBORHOD MAP



PROPERTY DESCRIPTION

The description of the site is based upon our physical inspection of the property, information available from the client, and public sources.

LOCATION

The subject is located at the southeast quadrant of Manuel Campos Parkway and Clay Bank Road, within the city of Fairfield, Solano County, California 94533.

FRONTAGE/ACCESS

The subject project has approximately 2,000 feet of frontage along the south side of Manuel Campos Parkway with no access points, and approximately 4,000 feet of frontage along the east side of Clay Bank Road with three access points. Manuel Campos is a two-lane east-west arterial and Clay Bank Road is a two-lane north-south collector. Both roads are planned for future widening to additional lanes as the area and later projects are developed. The widening of these roads is not a required subject project obligation, and their current configuration/size is adequate to serve the subject. Frontage and access is typical for suburban development.

SHAPE AND DIMENSIONS

The project and perimeter boundary comprise an irregular rectangular square shape. Based on the overall size and scale of the project, the shape does not adversely affect the project. Site utility based on shape and dimensions is average.

TOPOGRAPHY

Units 1 and 2 slope downward gently from north to south, with limited elevation change on an east-west axis. Units 3 and 4 are generally level.

DRAINAGE

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that there are not any unusual drainage issues that would affect the development of the subject.

VEGETATION

Units 1, 3 and 4 are subdivided and developed with suburban landscaping. Unit 2 is rough-graded and covered with annual grasses.

ASSESSOR PARCEL NUMBERS BY OWNERSHIP

Unit 2 is owned by Rancho Tolenas Corp. (the Master Developer) and is identified by Assessor parcel number 0170-010-440, containing 17.52 gross acres (rough-graded). Upon recordation of final map, individual Assessor parcel numbers will be assigned to each lot. The subject parcels and owners for Units 1, 3 and 4 are summarized in the following tables.

UNIT 1 – OWNERSHIP AND PROPERTY STATUS BY PARCEL

Tax ID	Owner	Status	Base Home Size (SF)	Tax ID	Owner	Status	Base Home Size (SF)
0170-321-010	Villages at Fairfield LLC	Vacant Finished Lot		0170-322-050	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-020	Villages at Fairfield LLC	Vacant Finished Lot		0170-322-060	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-030	Villages at Fairfield LLC	Completed Model Home	2,602	0170-322-070	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-040	Villages at Fairfield LLC	Completed Model Home	2,105	0170-322-080	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-050	Villages at Fairfield LLC	Completed Model Home	2,841	0170-322-090	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-060	Villages at Fairfield LLC	Completed Model Home	3,106	0170-322-100	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-070	Villages at Fairfield LLC	Vacant Finished Lot		0170-322-110	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-080	Villages at Fairfield LLC	Vacant Finished Lot		0170-322-120	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-090	Villages at Fairfield LLC	Vacant Finished Lot		0170-322-130	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-100	Villages at Fairfield LLC	Vacant Finished Lot		0170-322-140	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-110	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-010	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-120	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-020	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-130	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-030	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-140	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-040	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-150	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-050	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-160	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-060	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-170	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-070	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-180	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-080	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-190	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-090	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-200	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-100	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-210	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-110	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-220	Villages at Fairfield LLC	Vacant Finished Lot		0170-323-120	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-230	Villages at Fairfield LLC	Building Permit Pulled - Under Construction		0170-323-130	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-240	Villages at Fairfield LLC	Building Permit Pulled - Under Construction		0170-323-140	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-250	Villages at Fairfield LLC	Building Permit Pulled - Under Construction		0170-324-010	Withheld (Individual Household)	Completed/Transferred Home	2,841
0170-321-260	Villages at Fairfield LLC	Building Permit Pulled - Under Construction		0170-324-020	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-270	Villages at Fairfield LLC	Building Permit Pulled - Under Construction		0170-324-030	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-280	Villages at Fairfield LLC	Building Permit Pulled - Under Construction		0170-324-040	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-290	Withheld (Individual Household)	Completed/Transferred Home	2,841	0170-324-050	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-300	Withheld (Individual Household)	Completed/Transferred Home	2,105	0170-324-060	Villages at Fairfield LLC	Building Permit Pulled - Under Construction	
0170-321-310	Villages at Fairfield LLC	Substantially Completed Home - Under Construction	2,602	0170-324-070	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-320	Withheld (Individual Household)	Completed/Transferred Home	2,105	0170-324-080	Villages at Fairfield LLC	Vacant Finished Lot	
0170-321-330	Withheld (Individual Household)	Completed/Transferred Home	2,841	0170-324-090	Villages at Fairfield LLC	Substantially Completed Home - Under Construction	2,602
0170-321-340	Villages at Fairfield LLC	Substantially Completed Home - Under Construction	2,602	0170-324-100	Villages at Fairfield LLC	Substantially Completed Home - Under Construction	3,106
0170-321-350	Withheld (Individual Household)	Completed/Transferred Home	2,105	0170-324-110	Withheld (Individual Household)	Completed/Transferred Home	2,105
0170-321-360	Withheld (Individual Household)	Completed/Transferred Home	3,106	0170-324-120	Withheld (Individual Household)	Completed/Transferred Home	2,841
0170-321-370	Withheld (Individual Household)	Completed/Transferred Home	2,841	0170-324-130	Withheld (Individual Household)	Completed/Transferred Home	2,105
0170-321-380	Withheld (Individual Household)	Completed/Transferred Home	2,105	0170-324-140	Withheld (Individual Household)	Completed/Transferred Home	3,106
0170-321-390	Withheld (Individual Household)	Completed/Transferred Home	2,602	0170-324-150	Withheld (Individual Household)	Completed/Transferred Home	2,841
0170-321-400	Withheld (Individual Household)	Completed/Transferred Home	2,105	0170-324-160	Withheld (Individual Household)	Completed/Transferred Home	2,602
0170-322-010	Villages at Fairfield LLC	Vacant Finished Lot		0170-324-170	Withheld (Individual Household)	Completed/Transferred Home	2,105
0170-322-020	Villages at Fairfield LLC	Vacant Finished Lot		0170-324-180	Withheld (Individual Household)	Completed/Transferred Home	3,106
0170-322-030	Villages at Fairfield LLC	Vacant Finished Lot		0170-324-190	Withheld (Individual Household)	Completed/Transferred Home	2,602
0170-322-040	Villages at Fairfield LLC	Vacant Finished Lot					

UNIT 3 – OWNERSHIP AND PROPERTY STATUS BY PARCEL

Tax ID	Owner	Status	Base Home Size (SF)	Tax ID	Owner	Status	Base Home Size (SF)
0170-331-010	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-333-070	Withheld (Individual Household)	Completed/Transferred Home	2,090
0170-331-020	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-333-080	Richmond American Homes of Maryland Inc.	Substantially Completed Home - Under Construction	2,250
0170-331-030	Richmond American Homes of Maryland Inc.	Completed Model Home	2,250	0170-333-090	Richmond American Homes of Maryland Inc.	Substantially Completed Home - Under Construction	2,190
0170-331-040	Richmond American Homes of Maryland Inc.	Completed Model Home	2,100	0170-333-100	Richmond American Homes of Maryland Inc.	Substantially Completed Home - Under Construction	2,250
0170-331-050	Richmond American Homes of Maryland Inc.	Completed Model Home	2,090	0170-333-110	Richmond American Homes of Maryland Inc.	Substantially Completed Home - Under Construction	2,100
0170-331-060	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-333-120	Richmond American Homes of Maryland Inc.	Substantially Completed Home - Under Construction	2,090
0170-331-070	Withheld (Individual Household)	Completed/Transferred Home	2,250	0170-334-010	Richmond American Homes of Maryland Inc.	Substantially Completed Home - Under Construction	2,250
0170-331-080	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction		0170-334-020	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-331-090	Withheld (Individual Household)	Completed/Transferred Home	2,250	0170-334-030	Richmond American Homes of Maryland Inc.	Substantially Completed Home - Under Construction	2,190
0170-331-100	Withheld (Individual Household)	Completed/Transferred Home	2,100	0170-334-040	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-331-110	Withheld (Individual Household)	Completed/Transferred Home	2,250	0170-334-050	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-331-120	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-060	Richmond American Homes of Maryland Inc.	Substantially Completed Home - Under Construction	2,100
0170-331-130	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-070	Richmond American Homes of Maryland Inc.	Substantially Completed Home - Under Construction	2,190
0170-331-140	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-080	Withheld (Individual Household)	Completed/Transferred Home	2,190
0170-331-150	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-090	Withheld (Individual Household)	Completed/Transferred Home	2,250
0170-331-160	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-100	Withheld (Individual Household)	Completed/Transferred Home	2,190
0170-331-170	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-110	Withheld (Individual Household)	Completed/Transferred Home	2,100
0170-331-180	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-120	Withheld (Individual Household)	Completed/Transferred Home	2,250
0170-331-190	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-130	Withheld (Individual Household)	Completed/Transferred Home	2,100
0170-331-200	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-140	Withheld (Individual Household)	Completed/Transferred Home	2,250
0170-331-210	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-150	Withheld (Individual Household)	Completed/Transferred Home	2,090
0170-332-010	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-334-160	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-332-020	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-010	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-030	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-020	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-040	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-030	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-050	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-040	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-060	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-050	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-070	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-060	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-080	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction		0170-335-070	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-090	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction		0170-335-080	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-100	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction		0170-335-090	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-110	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-100	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-120	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction		0170-335-110	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-130	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction		0170-335-120	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-140	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-130	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-150	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-140	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-332-160	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-150	Richmond American Homes of Maryland Inc.	Vacant Finished Lot	
0170-332-170	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-160	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-332-180	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-170	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-332-190	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-180	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-332-200	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-190	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-333-010	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-200	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-333-020	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction		0170-335-210	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-333-030	Richmond American Homes of Maryland Inc.	Vacant Finished Lot		0170-335-220	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction	
0170-333-040	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction		0170-335-230	Withheld (Individual Household)	Completed/Transferred Home	2,190
0170-333-050	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction		0170-335-240	Withheld (Individual Household)	Completed/Transferred Home	2,090
0170-333-060	Richmond American Homes of Maryland Inc.	Building Permit Pulled - Under Construction					

UNIT 4 – OWNERSHIP AND PROPERTY STATUS BY PARCEL

Tax ID	Lot #	Owner	Status	Base Home Size (SF)
0170-341-010	1	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-020	2	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-030	3	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-040	4	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-050	5	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-060	6	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-070	7	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-080	8	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-090	9	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-100	10	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-110	11	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-120	12	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-130	13	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-140	14	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-150	15	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-160	16	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-170	17	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-341-180	18	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-010	113	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-020	112	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-030	111	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-040	110	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-050	109	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-060	108	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-070	107	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-080	106	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-090	105	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-100	104	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-110	103	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-120	102	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-130	101	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-140	100	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-342-150	99	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-010	133	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-020	132	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-030	131	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-040	130	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-050	129	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-060	128	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-070	127	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-090	126	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-100	125	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-110	124	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-120	123	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-130	122	Tri Pointe Homes Inc.	Near-Finished Lot	

Tax ID	Lot #	Owner	Status	Base Home Size (SF)
0170-343-140	121	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-160	120	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-170	119	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-180	118	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-190	117	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-200	116	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-210	115	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-220	114	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-230	98	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-240	97	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-250	96	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-260	95	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-270	94	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-280	93	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-290	92	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-300	91	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-310	90	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-320	89	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-330	88	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-340	87	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-350	86	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-360	85	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-370	84	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-380	83	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-390	82	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-400	81	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-410	80	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-420	79	Tri Pointe Homes Inc.	Near-Finished Lot	
0170-343-430	78	Tri Pointe Homes Inc.	Completed Model Home	2,427
0170-343-440	77	Tri Pointe Homes Inc.	Completed Model Home	2,254
0170-343-450	76	Tri Pointe Homes Inc.	Completed Model Home	2,057
0170-343-460	75	Tri Pointe Homes Inc.	Vacant Finished Lot	
0170-343-470	74	Tri Pointe Homes Inc.	Vacant Finished Lot	
0170-343-480	73	Tri Pointe Homes Inc.	Vacant Finished Lot	
0170-343-490	72	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-343-500	71	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-351-010	19	Tri Pointe Homes Inc.	Vacant Finished Lot	
0170-351-020	20	Tri Pointe Homes Inc.	Vacant Finished Lot	
0170-351-030	21	Tri Pointe Homes Inc.	Completed/Transferred Home	2,057
0170-351-040	22	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	1,817
0170-351-050	23	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	2,254
0170-351-060	24	Tri Pointe Homes Inc.	Completed/Transferred Home	2,427
0170-351-070	25	Tri Pointe Homes Inc.	Completed/Transferred Home	2,057
0170-351-080	26	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	1,817

Tax ID	Lot #	Owner	Status	Base Home Size (SF)
0170-351-090	27	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	2,254
0170-351-100	28	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	2,427
0170-351-110	29	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	2,057
0170-351-120	30	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	2,254
0170-351-130	31	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	2,427
0170-351-140	32	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-351-150	33	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-351-160	34	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-351-170	35	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-351-180	36	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-351-190	37	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-351-200	38	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-351-210	39	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-351-220	40	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	2,427
0170-351-230	41	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	2,254
0170-351-240	42	Tri Pointe Homes Inc.	Substantially Completed Home - Under Construction	2,057
0170-351-250	43	Tri Pointe Homes Inc.	Vacant Finished Lot	
0170-351-260	44	Tri Pointe Homes Inc.	Vacant Finished Lot	
0170-352-010	45	Tri Pointe Homes Inc.	Vacant Finished Lot	
0170-352-020	46	Tri Pointe Homes Inc.	Vacant Finished Lot	
0170-352-030	47	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-040	48	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-050	49	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-060	50	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-070	51	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-080	52	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-090	53	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-100	54	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-110	55	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-120	56	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-130	57	Tri Pointe Homes Inc.	Building Permit Pulled - Under Construction	
0170-352-140	58	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-150	59	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-160	60	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-170	61	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-180	62	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-190	63	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-200	64	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-210	65	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-220	66	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-230	67	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-240	68	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-250	69	Tri Pointe Homes Inc.	Partially Finished Lot	
0170-352-260	70	Tri Pointe Homes Inc.	Partially Finished Lot	

OFFSITE IMPROVEMENTS

Primary backbone infrastructure improvements are mostly complete. For the development of the subject property (Units 1 through 4 in Village 1 of the larger The Villages project), remaining offsites are limited to the completion of the southernmost project entrance on Clay Bank Road at Merriment Place. The required improvement consists of approximately 100-feet of road construction. The entrance is a supplemental access point for Unit 4 and the Master Developer is contractually obligated to complete the improvements per the terms of the Unit 4 sale to Tri Pointe Homes. The Master Developer indicates approximately $150,000 remains to be completed and these improvements were planned to resume in late April 2019 and be paved in early May.

As of the date of value, April 17, 2019, the only subject property owned by the Master Developer is Unit 2 (rough-graded lots). Therefore, for purposes of determining the value of the collective subject property (the residential lots and homes within Units 1 through 4), it is an extraordinary assumption that the Master Developer's obligation to complete these offsite improvements is connected to the collateral value of subject property it still owns, Unit 2. Therefore, the remaining cost of completing the Merriment Place entrance that benefits Unit 4 has been deducted as a cost obligation of Unit 2 and reflected in the estimated Unit 2 value.

ONSITE IMPROVEMENTS

Unit 2 is rough-graded and will be completed when the Master Developer besides to sell the lots. The Master Developer indicates site development with cost approximately $4,720,000 or $40,000/lot to complete, which will cover all hard and soft costs. In addition to streets and onsite utility development, the cost includes the construction of an eastern project concrete perimeter wall.

Within Unit 4, Tri Pointe Homes indicates it is 97% complete with its lot development. The westernmost portion of Unit 4 has 73 "near-finished" lots where top-lift paving, iron raise and striping are needed. The southeastern edge of Unit 4 includes the construction of an interior road (Passion Lane) which abuts the Linear Park area. The road was under construction on the date of value but had not yet been paved. The road provides access to 15 lots, which were thus considered to be partially finished on the date of value.

Tri Pointe Homes indicates all remaining offsites will be completed within the 30 days following the date of value at an estimated cost of $165,000.

UTILITIES

All typical public utilities (water, sewer, gas, electricity and phone service) are available to each lot in Units 1, 3 and 4. Unit 2 has utilities stubbed to the perimeter.

ENVIRONMENTAL CONCERNS & HAZARDOUS SUBSTANCES

We were not provided with an environmental report; however, no unusual conditions were observed, and none were reported by the owner. For purposes of this appraisal, we assume that the subject site is not impacted by any significant environmental concerns that would warrant remediation, or otherwise impact the marketability of the property.

EASEMENTS, ENCROACHMENTS & RESTRICTIONS

The Master Developer provided us a copy of a preliminary title report for Unit 2 by First American Title Company, dated March 18, 2019. The report cites various public and private easements that are typical of its type and location, and do not adversely impact value. Note that just east of Unit 2 is an operating Cemex cement facility. The access driveway for the facility extends north-south just beyond the subject property boundary, and building improvements are approximately 150 feet from the Unit 2 boundary. During our inspection, we did not see any adverse noise or pollution.

As stated, development of Unit 2 will include the construction of a concrete block perimeter wall on its eastern edge (with the facility's driveway just beyond the wall). Under current market conditions, where demand for the Unit 2 lot size and product type is strong, we believe any negative impact, if any, would be limited to the Unit 2 lots closest to the cement facility; namely, all Unit 2 lots abutting the eastern perimeter wall. In determining "Lot Premiums" for Unit 2 (where lots typically achieving higher prices for above average lot sizing, cul-de-sac positioning, etc.), we incorporated lot discounts for the impacted lots into our analysis. We've considered the cement facility and the impact of the facility is reflected in our estimated Unit 2 value.

Title reports for Units 1, 3 and 4, which have been subdivided, were neither provided nor required for this appraisal. This appraisal report assumes that the subject property has a clear and marketable title.

ZONING AND ENTITLEMENTS

ZONING AND ENTITLMENT SUMMARY	
Zoning Jurisdiction	City of Fairfield
Zoning Designation	RLM-5 (Unit 1), RLM-4.5 (Unit 2) and RLM (Units 3 and 4)
Zoning Description	Residential Low Medium Density
Legally Conforming?	Yes
Zoning Change Likely?	No
Permitted Uses	Single-family residential development
Other Land Use Information	The subject property is zoned for residential low medium density development by the City of Fairfield. The zoning allows for the development of single-family residential development. The assigned zoning is consistent with the residential low medium density General Plan designation. Final subdivision maps for Units 1, 3 and 4 have recorded. Unit 2 has tentative map approval and, per the 2nd Amended and Restated Development Agreement, is valid through January 4, 2031.

The subject is approved for single-family residential development by the City of Fairfield. Single-family residential is legally permissible, and development as proposed is legally permissible.

AFFORDABLE HOUSING/RESTRICTED UNITS

The subject project is not required to build affordable units. All subject lots are "market rate."

FLOOD HAZARD STATUS

The following table summarizes flood hazard information.

FLOOD HAZARD STATUS	
Community Panel Number	06095C-0267E
Date	May 4, 2009
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

SOIL/SUBSOIL CONDITIONS

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support a variety of uses, including those permitted by zoning.

EARTHQUAKE ZONE

Given the presence of several active faults throughout the State of California, nearly all properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was passed in 1972 in order to regulate development of structures intended for human occupancy on the surface trace of active faults. While the Alquist-Priolo Act only addresses surface rupture risk, the Seismic Hazards Mapping Act, passed in 1990, considers non-surface earthquake hazards, such as liquefaction and landslides. These laws require the State Geologist to establish regulatory zones based on seismic risk, and distribute maps to agencies for affected areas for use in planning and development. Structures cannot be constructed over the trace of a fault, and a setback from the fault is typically required. Properties that are not located within a fault zone, but are at increased risk for seismic damage due to their location within affected cities can be subject to additional government-imposed requirements, such as seismic or soft-story retrofitting, and lenders and/or institutional investors will often require property owners/operators to carry earthquake insurance.

Based on our review of the current Alquist-Priolo Fault Zone and Seismic Hazard Zone Maps, the subject city is not affected by a nearby fault, and the subject property is not within a special studies zone.

CONCLUSION – SITE ANALYSIS

Overall, site dimensions, shape, and topography result in average utility. In consideration of site and legal characteristics, the subject is well-suited for residential development (production homes).

SUBDIVISION CHARACTERISTICS

GENERAL DESCRIPTION

General characteristics of the proposed subdivision are summarized below.

SUBDIVISION CHARACTERISTICS

Village Identification	Min. Lot Size	Configuration	No. of Lots
Unit 1	5,000	Traditional	87
Unit 2	4,500	Traditional	118
Unit 3	3,500	Traditional	93
Unit 4	3,375	Traditional	133
Weighted:	4,038	Total:	431

Interior street width incl. curbs	Vary from 30 to 35 feet
Lot Premiums/Discounts	Typical size and position premiums
Community Amenities	Planned elementary school and park

The subject subdivision contains 431 lots across four different minimum lot size categories in a traditional configuration. Lots are front-loaded, meaning home entrances and garages doors will face interior streets. Typical interior streets vary from 30 to 35 feet wide and double-loaded, providing adequate ingress and egress. Busier streets have sidewalks setback from streets by dividing landscaping strips. The project is planned to have a park and elementary school. Overall the aesthetics are good for single-family residential development.

LOT SIZES AND ANTICIPATED PREMIUMS

Lot premiums are estimated in consideration of prior sales agent interviews. These premiums are achieved at the retail stage, upon completion of home construction. These premiums do not have a dollar-for-dollar impact on lot value.

We closely analyzed all anticipated lot premiums in each unit. The types of premiums are generally similar across each unit and are concentrated with lot size and corner and cul-de-sac premiums. For traditional configuration suburban development projects, retail lot premiums (achieved when homes are built and sold) that comprise 1% to 2% of base home revenue is typical.

Within Unit 1, we estimated retail lot premiums of around 1.5% of base revenue for lot sizing and corner position. In Unit 2, similar premiums for sizing and corner positioning are expected, but some lots are expected to have “discounts” due to their proximity to the cement facility to the east. On whole, we’ve estimated lot retail lot premiums of 1.0% of base pricing for Unit 2.

Unit 3 is unique in that is contains a large number of lots greater than the minimum size category (with the minimum size category used to establish “base” home pricing by builders). These larger lots, coupled with ordinary position premiums for corner and cul-de-sac position, led to a lot premium estimate of 3.0% of base home revenue.

Unit 4 contains ordinary lot size and lot position lots, as well as 15 lots that abut the Linear Park. Wrougt-iron fencing has been placed on the lot boundary. These lots are located in an area where there is a drainage/open space area just to the south. We've estimated minor premiums for these lots for the open yards afforded by the wrought-iron fences on the Linear Park at the open space. Unit 4 lot premiums are estimated at 2.0% of base home revenue.

HOA DUES

The subject is not planned for a Home Owner Association.

CONCLUSION – SUBDIVISION CHARACTERISTICS

The existing and proposed improvements are consistent with zoning, compatible with site characteristics and typical of other suburban projects in the area.

IMPROVEMENT DESCRIPTION

The floor plans offered at the three active subject projects are summarized below.

BASE PLAN DESCRIPTION

Product Line	Lot Size Category (SF)	Plan	Home Size (SF)	Stories	Number of Bedrooms	Number of Bathrooms	Garage Size	Patio	Developer Unit Mix
Unit 1 - Avery at The Villages	5,000	Plan 1	2,105	1	4	3	2 Full	Front	23
Unit 1 - Avery at The Villages	5,000	Plan 2	2,602	2	4	3	2 Full	Front	20
Unit 1 - Avery at The Villages	5,000	Plan 3	2,841	2	5	3	2 Full	Front	23
Unit 1 - Avery at The Villages	5,000	Plan 4	3,106	2	5	3	2 Full	Front	21
Unit 3 - Larkspur at The Villages	3,500	Plan 1	2,090	2	3+	2.5	2 Full	Front and back	18
Unit 3 - Larkspur at The Villages	3,500	Plan 2	2,100	2	3+	2.5	2 Full	Front	25
Unit 3 - Larkspur at The Villages	3,500	Plan 3	2,190	2	3+	2.5	2 Full	Front	25
Unit 3 - Larkspur at The Villages	3,500	Plan 4	2,250	2	3+	2.5	2 Full	Front	25
Unit 4 - Lantana at The Villages	3,500	Plan 1	1,817	2	3	2.5	2 Full	Front	20
Unit 4 - Lantana at The Villages	3,500	Plan 2	2,057	2	3+	2.5	2 Full	Front	33
Unit 4 - Lantana at The Villages	3,500	Plan 3	2,254	2	3+	2.5	2 Full	Front	40
Unit 4 - Lantana at The Villages	3,500	Plan 4	2,427	2	4+	3	2 Full	Front	40
								Total:	313

	Min.	Max.	Straight Avg.	Wght. Avg.	Lots
Unit 1 - Avery at The Villages	2,105	3,106	2,664	2,655	87
Unit 3 - Larkspur at The Villages	2,090	2,250	2,158	2,163	93
Unit 4 - Lantana at The Villages	1,817	2,427	2,139	2,191	133

Homes have a wood frame on concrete foundation. Roofs are concrete tile and exterior walls are stucco with accents such as stone and lap-siding. Standard amenities vary by project but generally include granite countertops in the kitchen and marble counters in secondary bathrooms, tile flooring at entry and kitchen, walk in closest in master bedroom and sliding door closets in secondary bedrooms, 10’x10’ secondary bedrooms, two-tone paint schemes, 3-1/4” baseboards and 2-1/4” door casings, and concealed-hinge maple or beech cabinetry in kitchen and laundry areas. Specific homes design varies by lot type category (such as cluster or traditional). Like other new home projects, buyers may select options/upgrades above the base amenity level.

QUALITY SEGMENT

The quality of materials and workmanship reflected in the property’s structure, systems, and finishes are consistent with the first time new/move up quality segment.

MODEL HOMES

Discovery Homes has constructed four model homes and Richmond American Homes and Tri Pointe Homes have each constructed three model homes. In this report, no contributory value for home upgrades is assigned to completed homes, which includes the models.

The models have been constructed within market parameters. General model upgrades (varying by model) include full kitchen backsplashes, upgraded granite countertops, upgraded flooring at entry, kitchen and living area such as hardwood or 18”x18” concrete tile, cherry or some other type of cabinetry beyond oak or maple, laundry room sinks with cabinetry, upgraded carpet pads, crown molding in kitchen, living and master bedrooms, upgraded multi-colored paint schemes, wainscoting, chair rails, and backyard landscaping with extensive concrete flat work, grass, irrigation and shrubbery.

HOME CONSTRUCTION COSTS

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Indirect items are the soft costs and fees incurred in developing the project during the construction cycle.

DIRECT COSTS

Direct costs are among the most closely guarded cost figures by builders in the current market climate, as even just a $1/SF variation can be the difference between having a land offer accepted by a seller. Moreover, with direct costs having increased significantly over the last three years amid lumber increases and labor shortages, managing direct costs is key to hitting targeted profits.

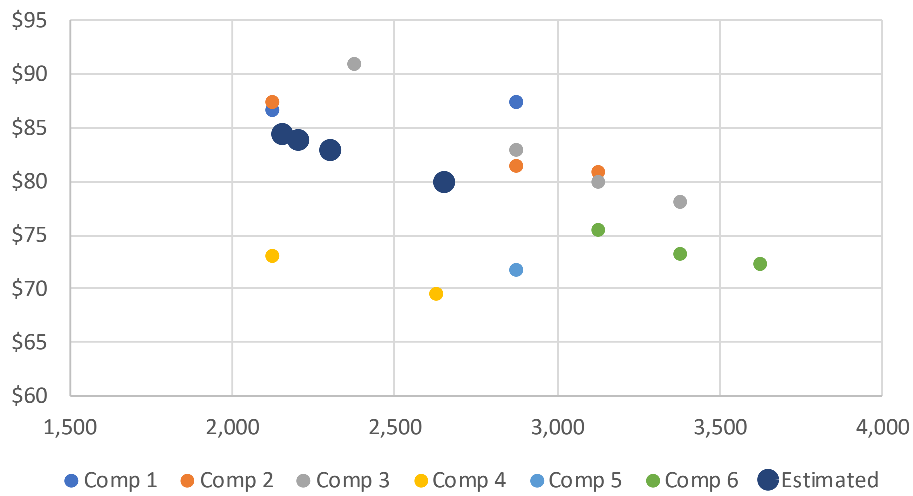
Our firm appraises a large volume of subdivisions across Northern California and maintains an inhouse database of direct costs. We've selected cost comparables with an emphasis on date, regional location, construction quality. Our survey below includes both public and private builder costs (with public buiidlers commonly having direct costs $5 to $10+/SF lower than private builders). We've generalized the project level costs and withheld project/builder identities.

DIRECT CONSTRUCTION COST COMPARABLES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
City/Area	Stockton	Brentwood	Lathrop	Lincoln	Sacramento	Lathrop
Segment	Move Up (1st Time)	Move Up (1st Time)	Move Up (1st Time)	Move Up (1st Time)	Move Up (1st Time)	Move Up (1st Time)
Builder Type	Private	Public	Private	Public	Private	Private
Product Type	Detached	Detached	Detached	Detached	Detached	Detached
No. of Lots	50 to 100	< 50	100 to 150	100 to 150	50 to 100	50 to 100
Plan Size (SF)	2019	2018	2019	2018	2019	2018
< 1,250						
1,250 - 1,500						
1,500 - 1,750						
1,750 - 2,000						
2,000 - 2,250	$86.70	$87.33		$73.02		
2,250 - 2,500	$87.12 - $87.64		$91.00	$73.28 - $73.85		
2,500 - 2,750				$69.50		
2,750 - 3,000	$87.45	$81.40	$83.00		71.72 (avg.)	
3,000 - 3,250		$80.94	$80.00			$75.42
3,250 - 3,500			$78.00			$73.17
> 3,500						$72.29

(1) Costs include "On Lot" costs (e.g. flatwork, prep, SWPP, etc.)

DIRECT CONSTRUCTION COST COMPARABLES - CHARTED



The subject consists of multiple villages and products. Below, we have estimated direct costs for a likely average home size for each product line, if the lots were to sell in a market transaction. We requested general direct cost information from the three subject builders. One of three builders provided a general, non-plan specific range for its project direct costs at the subject. Our estimated direct costs (below) are both supported by the comparable data and within the indicated subject builder range.

DIRECT CONSTRUCTION COSTS – APPRAISER ESTIMATE

Product Line	Lot Size (SF)	Avg. Home Size (SF)	Product	Appraiser-Estimated Direct Cost ($/SF)	Total
Unit 1	5,000	2,650	Traditional	$80.00	$212,000
Unit 2	4,500	2,300	Traditional	$83.00	$190,900
Unit 3	3,500	2,150	Traditional	$84.50	$181,675
Unit 4	3,375	2,200	Traditional	$84.00	$184,800

INDIRECT COSTS

Standard indirect cost items include general and administrative expenses, sales and marketing closing/legal costs. In this report, we estimate each of these indirect costs separately. Other indirect costs may include architectural and engineering, insurance/bonds, common costs, warranty, field overhead, project coordinator fees, contingency and model maintenance. These other indirect costs are collectively considered and generally range from 3% to 7% of total revenue.

Below, we consider the Developer's budgeted indicated costs along comparables.

INDIRECT CONSTRUCTION COST COMPARABLES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	
City/Area	Rocklin	Lathrop	Mountain House	Lodi	Dublin	Fairfield	
No. of Lots	82	77	71	205	139	68	
Plan Range (SF)	2,351 to 3,447	2,900 - 3,600	1,900 - 2400	1,800 - 2,700	1,800 - 2,700 SF	1,600 - 2,500	
Avg. Home Size (SF)	2,962	3,250	2,176	2,248	2,300	2,058	
Avg Home Price	$630,000	$525,000	$525,000	$450,000	$1,010,000	$505,000	BBG
Year	2019	2018	2018	2018	2018	2017	Projection
Average Direct Cost/SF	$88.48	$73.50	$91.57	$85.92	$89.47	$93.32	Variable
Sales Commissions	2.80%	4.23%	3.34%	3.00%	3.56%	1.65%	3.00%
Title, Escrow, Closing	–	0.88%	0.44%	0.55%	0.02%	0.50%	0.25%
Warranty	1.00%	0.31%	0.90%	1.00%	1.00%	1.00%	1.00%
General/Administrative	4.75%	3.80%	4.00%	2.50%	1.50%	3.00%	3.50%
Marketing	0.61%	1.64%	1.05%	1.50%	0.47%	1.65%	1.50%
Master Marketing Fee	–	1.00%	1.00%	–	0.50%	–	–
Other Indirects							
Architectural/Engineering	0.75%	0.30%	0.28%	0.34%	0.32%	1.01%	0.50%
Insurance	–	0.92%	1.20%	0.59%	0.65%	1.00%	1.00%
Contingency	1.25%	*1.5% assumed*	1.13%	*1.5% assumed*	0.98%	*1.5% assumed*	1.50%
Other	1.82%	1.49%	1.72%	1.92%	1.92%	2.41%	1.50%
Subtotal	3.83%	4.21%	4.32%	4.34%	3.86%	5.92%	4.50%
Total Indirects	12.99%	16.06%	15.05%	12.89%	10.89%	13.72%	13.75%

All percentages based on total revenue

Note that we removed all model construction and furniture costs from the comparable cost figures, since model costs are typically considered separately.

We've estimated individual indirect costs based on comparable data, to reflect a typical buyer of the subject, and have concluded a total indirect cost estimate of 13.75%.

Note: While the Developer's direct and indirect costs may have been provided, we utilize estimates based on comparable data, to represent how a typical buyer of the subject lots would perceive the subject, as opposed to the Developer (to ensure an estimate of market value as opposed to investment value).

PERMITS AND FEES

The Master Developer and subject builders provided permit and fees estimates, which we've reconciled into the following estimates for the subject valuation. The estimated fees are net of fee credits accumulated by the Master Developer and passed through the builders during lot sale.

APPRAISER ESTIMATED PERMITS AND FEES

Village ID	Lot Size Category	Est. Avg. Home Size	Estimated Avg. Fees
Unit 1	5,000	2,650	$61,000
Unit 2	4,500	2,300	$58,000
Unit 3	3,500	2,150	$56,000
Unit 4	3,375	2,200	$57,000

CONCLUSION OF IMPROVEMENTS DESCRIPTION

The sizes of the homes are considered appropriate relative to lot sizing and the targeted market segment. The proposed base home plans will contain finish-out and standard features generally consistent with other suburban projects, reflecting current home buyer demand preferences.

PROPERTY TAX ANALYSIS

PROPERTY TAXES AND ASSESSMENT DATA

Real estate taxes for the subject property are assessed and collected by the County of Solano. In 1978, California voters approved the Jarvis-Gann Amendment, popularly known as "Proposition 13". Proposition 13 abolished the practice of periodic reassessment of properties, based on market value appraisals, and limited increases on assessed values to 2% per year. The only circumstances under which properties are reassessed to current market value are upon a market sale, or completion of new construction or substantial renovation of a property. Ad valorem tax rates are limited to a general rate of 1%, plus the rates needed to service any bonded indebtedness. Voter-approved direct assessments can also be added, and are often related to the installation of infrastructure.

This appraisal assumes a market sale of the subject property, rendering the current total ad valorem tax amount irrelevant to our analysis. In projecting real estate tax expenses for the subject property, we consider the ad valorem tax rate and direct assessments (which include Special Taxes).

The subject is located in Tax Rate Area 3154, which has a 2018/2019 ad valorem tax rate of 1.177162%. For purposes of this appraisal, we assume that all outstanding taxes have been paid, and that the subject has a clear and marketable title.

Tax bills for individual subject lots were not prepared for the current tax year. Based on tax bills of other finished lots in the area, we expect the subject lots to have direct levies of around $12/lot (Sf Bay Rest Authority Measure). Moreover, based on tax bills of completed homes in the area, upon home completion the subject homes would have a direct levy of around $865/home for City of Fairfield CFD 2012-2 (Public Safety), for total direct levies of around $877/home ($865 + $12).

Special Taxes from the Rate and Method of Apportionment (RMA) for the CFD are summarized below.

SPECIAL TAXES FOR CFD NO. 2016-1, IMPROVEMENT AREA B

Property Status	Home Size	2016-2017 Assigned Special Tax (1)	Adjusted to 2018-2019 (escalated 2%/yr.)
Developed - Building Permit Issued	> 2,700 SF	$3,384	$3,521
	2,275 SF - 2,699 SF	$2,806	$2,919
	< 2,275 SF	$2,607	$2,712
Undeveloped - No Building Permit Issued		$25,980/acre	$27,030/acre

On the following page, we have considered the Special Tax Rates based on the sizes of homes planned in each subject village.

ESTIMATED AVERAGE SPECIAL TAXES FOR CFD NO. 2016-1, IMPROVEMENT AREA B

Adjusted to 2018-2019 (escalated 2%/yr.)	Unit 1 - 5,000 SF		Unit 2 - 4,500 SF		Unit 3 - 3,500 SF		Unit 4 - 3,375 SF	
	Mix	Total	Mix*	Total	Mix	Total	Mix	Total
$3,521	44	$154,911	29	$102,101	0	$0	0	$0
$2,919	20	$58,387	45	$131,371	0	$0	40	$116,774
$2,712	23	$62,383	44	$119,342	93	$252,246	93	$252,246
	87	$275,682	118	$352,814	93	$252,246	133	$369,021
Average Developed:		$3,169		$2,990		$2,712		$2,775
Undeveloped Rate Per Acre	Acres	Total	Acres	Total	Acres	Total	Acres	Total
$27,030	11.56	$312,467	N/A	N/A	9.38	$253,541	11.88	$321,116
Per Lot Undeveloped:		$3,592				$2,726		$2,414

*Estimated by appraiser. Unit mix not yet established.

Shown above, using the actual sizes of homes being built in Units 1, 3 and 4, the Average Developed Special Tax Rates (weighted average) are generally similar to the Undeveloped Rates applied to the respective acreage of each Unit (e.g. $3,169/lot vs. $3,592 in Unit 1, $2,712 vs. $2,726 in Unit 3 and $2,775 vs. $2,414 in Unit 4).

In light of the minor differences in Developed vs. Undeveloped Special Taxes, for simplicity we utilize the Developed Special Tax for Undeveloped property (finished lots without a building permit issued) in this report.

RESIDENTIAL MARKET ANALYSIS

The condition of the single-family residential real estate market has a bearing on the economic viability of the subject property. The current condition of the single-family market in terms of inventory, demand and sales performance of residential properties is examined in the following section.

NATIONAL HOUSING MARKET COMMENTS

Excerpted from Wells Fargo Bank Weekly Economic & Financial Commentary, for the week of April 14, 2019:

> Fear that the Fed would continue to hike interest rates led to a weak outrun for housing activity at the end of last year. Affordability concerns deterred potential buyers from making a purchase, and builders slashed home prices to shed inventories. With decreased demand and an uncertain outlook, starts weakened. The Fed's pivot on monetary policy appears to have arrested the slide in housing starts but has not reversed it. Home prices and mortgage rates have both trended lower and remain below their year-ago levels. Mortgage applications surged in March, suggesting the cooling in prices is driving greater demand, while builder confidence has also rebounded from last year's lows. We should see a modest increase in March housing starts, as recent conditions suggest a more upbeat housing market headed into the spring selling season. Other data released this week also suggest the labor market remains tight, but point to a more moderate pace of hiring ahead. Total job openings continue to outnumber unemployed workers, but the vacancy rate fell to a one-year low in February. Job openings can bounce around from month to month and are subject to big revisions, so the 538K drop in openings in February does not unequivocally signal a collapse in demand for workers. It does, however, offer another sign that the labor market may be nearing an inflection point, as temporary hiring has also slowed and consumers' views of the labor market have deteriorated slightly. There are tentative signs of the labor market softening. Consumers are also facing a bit more inflation. The consumer price index rose 0.4% in March, its largest gain in more than a year.

In late 2018, John Burns Real Estate Consulting (JBREC) indicated the current cycle has experienced nine years of expansion, making it the 2nd longest expansion over the last 60 years (1991 experienced 10 years of expansion). The average cycle length over the last 60 years is 5.8 years. JBREC estimated 11.5 years of expansion for this cycle. Of the economists surveyed by JBREC, 59% forecast a recession in 2020.

The market continues to expand, yet permit levels are moderate relative to the levels of the past market cycle (which was fueled by creative financial practices and punctuated by a Great Recession). Even so, given the length of the cycle, prices, interest rates and other factors, many in the industry believe the cycle is approaching an inflection point after several years of price growth.

REGIONAL ANALYSIS

Excerpted from the March 19, 2019 California Association of Realtors press release:

> California home sales bounced back in February after hitting the lowest sales level in more than 10 years the previous month, the California Association of Realtors (C.A.R.) said today. February's

annual sales level was the highest in six months, and the monthly growth in sales was the highest since January 2011.

Closed escrow sales of existing, single-family detached homes in California totaled a seasonally adjusted annualized rate of 399,080 units in February, according to information collected by C.A.R. from more than 90 local REALTOR® associations and MLSs statewide. The statewide annualized sales figure represents what would be the total number of homes sold during 2019 if sales maintained the February pace throughout the year. It is adjusted to account for seasonal factors that typically influence home sales.

February's sales figure was up 11.3 percent from the revised 358,470 level in January and down 5.6 percent from home sales in February 2018 of 422,910. February's decline was the smallest since July 2018, and the sales total was just shy of the 400,000 benchmark.

"Lower interest rates and stabilizing home prices motivated would-be buyers to get off the fence in February," said C.A.R. President Jared Martin. "With mortgage rates reaching their lowest point in a year, housing affordability improved as buyers' monthly mortgage payments became more manageable. Instead of the double-digit growth rates that we observed a few months ago, monthly mortgage payments increased by 2.7 percent, the smallest increase in the last 12 months."

The statewide median home price dipped 0.6 percent to $534,140 in February from a revised $537,120 in January and was up 2.2 percent from $522,440 in February 2018. February's price was the lowest since February 2018 and was primarily attributed to seasonal factors, as February typically marks the lowest price point for the year.

"While February's sales rebound is welcome news, the market will likely remain constrained as sellers and buyers sort through the realities of today's market," said C.A.R. Senior Vice President and Chief Economist Leslie Appleton-Young. "With the market about to kick off its homebuying season, buyers have a window of opportunity in the upcoming months as interest rates remain stable, there are more properties on the market to consider, and prices are more attractive…

Other notable points from C.A.R.'s February 2019 resale housing report that are pertinent to the subject include:

- Non-seasonally adjusted sales in the San Francisco Bay Area were down 4.4 percent from February 2018. Home sales in six of the nine Bay Area counties fell from a year ago, while Alameda, Marin and San Francisco counties recorded annual sales gains.

- On a year-over-year basis, the Bay Area median price dipped 0.9 percent from February 2018. Home prices in Marin, San Francisco, San Mateo and Santa Clara counties continued to remain above $1 million, but all of the counties recorded annual price declines.

- All major regions recorded an increase in active listings, with the Bay Area posting the highest increase at 41.9 percent, followed by Southern California (20.4 percent), Central Valley (16.2 percent) and the Central Coast (6.4 percent). Active listings increased in three of nine Bay Area counties by 50 percent or more with Santa Clara leading the way at 62.9 percent, followed by San Mateo (59.7 percent) and Alameda (50 percent).

- The median number of days it took to sell a California single-family home rose from 22 days in February 2018 to 33 days in February 2019.
- The 30-year, fixed-mortgage interest rate averaged 4.37 percent in February, up from 4.33 percent in February 2018, according to Freddie Mac. The five-year, adjustable mortgage interest rate also increased in February to an average of 3.87 percent from 3.60 in February 2018.

The C.A.R. monthly report included the latest median prices for the resale/existing home market, which are excerpted below. The subject is located in Solano County, where median prices were down 1.2% year-over year and the number of total sales were down 7.4% year-over-year. Like the Statewide trend, the decline in total sales in mostly attributable to declining affordability.

MEDIAN SFR HOME PRICES AND % CHANGE SALES

February 2019	Median Sold Price of Existing Single-Family Homes					Sales	
State/Region/County	Feb. 2019	Jan. 2019	Feb. 2018	Price MTM% Chg	Price YTY% Chg	Sales MTM% Chg	Sales YTY% Chg
Calif. Single-family home	$534,140	$537,120	$522,440	-0.6%	2.2%	11.3%	-5.6%
Calif. Condo/Townhome	$450,000	$435,000	$454,500	3.4%	-1.0%	15.0%	-5.7%
Los Angeles Metro Area	$505,000	$499,450	$498,000	1.1%	1.4%	1.0%	-10.7%
Central Coast	$650,000	$630,000	$665,000	3.2%	-2.3%	3.0%	-3.8%
Central Valley	$320,000	$312,000	$310,000	2.6%	3.2%	7.9%	-6.3%
Inland Empire	$369,900	$354,450	$350,000	4.4%	5.7%	3.3%	-10.1%
San Francisco Bay Area	$867,000	$836,000	$875,000	3.7%	-0.9%	9.1%	-4.4%
San Francisco Bay Area							
Alameda	$860,000	$826,000	$832,000	4.1%	3.4%	7.3%	5.7%
Contra Costa	$649,475	$595,000	$610,000	9.2%	6.5%	6.2%	-10.8%
Marin	$1,290,000	$1,149,500	$1,371,000	12.2%	-5.9%	28.0%	23.5%
Napa	$625,000	$672,500	$713,500	-7.1%	-12.4%	19.6%	-4.3%
San Francisco	$1,505,000	$1,376,500	$1,730,000	9.3%	-13.0%	14.6%	8.9%
San Mateo	$1,425,000	$1,450,000	$1,610,000	-1.7%	-11.5%	12.7%	-4.9%
Santa Clara	$1,170,000	$1,185,000	$1,383,500	-1.3%	-15.4%	12.7%	-10.6%
Solano	$425,000	$428,000	$430,000	-0.7%	-1.2%	11.6%	-7.1%
Sonoma	$625,425	$650,000	$689,000	-3.8%	-9.2%	-4.8%	-7.9%

Source: California Association of Realtors

NEW HOME PRICE TRENDS

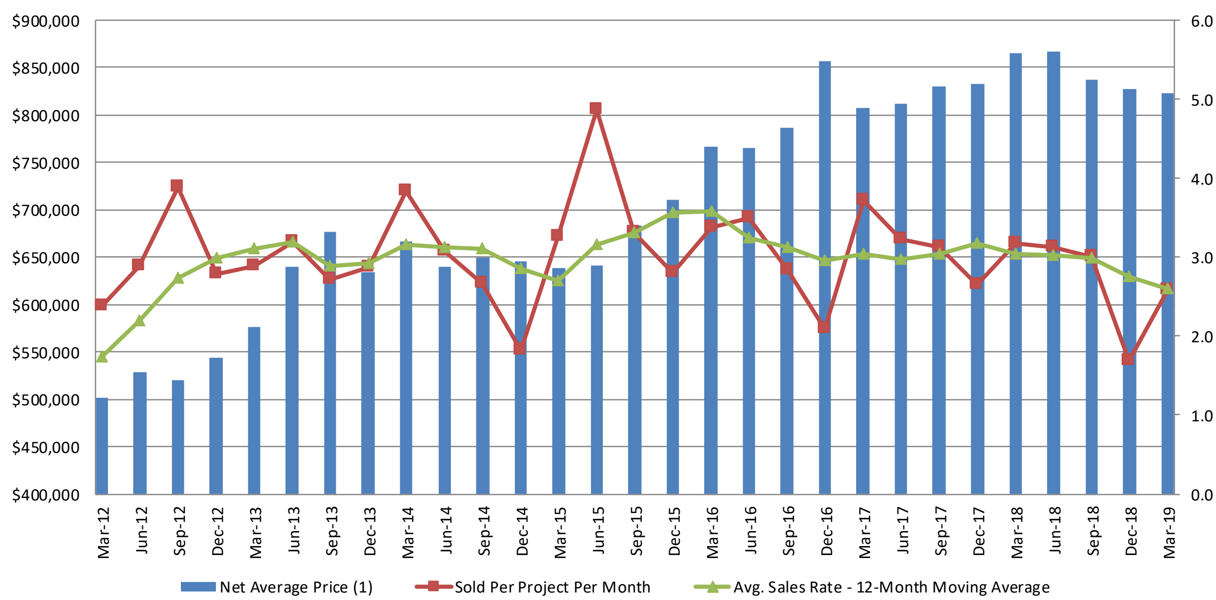
The following table and graph summarizes historical data published by the Gregory Group. The regional data pertains to Contra Costa, Solano, Sonoma and Napa Counties. The data represents detached projects only.

DETACHED NEW HOME PROJECTS IN CONTRA COSTA, SOLANO, SONOMA AND NAPA COUNTIES

Quarter Ending	Number of Projects	Average Home Size	Net Average Price (1)	Net Avg Price / Avg. SF	Quarter Sold	Unsold Inventory (2)	Unoffered Inventory (3)	Sold Per Project Per Quarter	Sold Per Project Per Month	Avg. Sales Rate - 12-Month Moving Average
Mar-18	55	2,773	$865,263	$312	525	251	1,688	9.5	3.2	3.0
Jun-18	62	2,762	$866,611	$314	581	327	2,126	9.4	3.1	3.0
Sep-18	66	2,713	$836,709	$308	594	358	2,293	9.0	3.0	3.0
Dec-18	68	2,645	$827,999	$313	342	424	2,401	5.0	1.7	2.7
Mar-19	72	2,619	$822,774	$314	559	519	3,518	7.8	2.6	2.6

(1) Net of incentives
(2) Unsold inventory for units offered for sale
(3) Inventory for units planned but not yet offered at active projects
Source: The Gregory Group

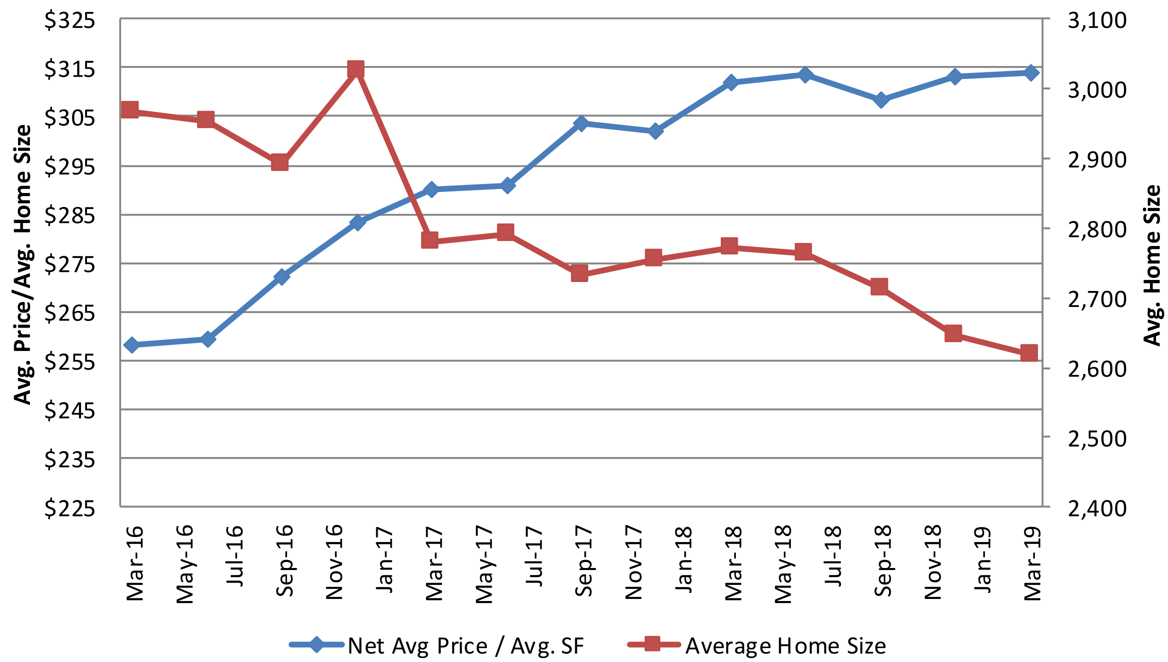
AVERAGE NET BASE PRICE VS. SALES RATE (SINCE MARCH 2012)



Source: The Gregory Group

The average net base price for Contra Costa, Solano, Sonoma and Napa Counties bottomed in March 2012 at $502,007, post Great Recession. Shown above, average prices have increased significantly since that time, with rapid growth in 2016 through 2018 and slight declines beginning in late 2018. However, floor plan sizes offered have also decreased and prices have risen. On a net average price per average square foot basis, prices in March 2019 were up slightly ($2/SF) compared to one year prior.

AVERAGE NET BASE PRICE / AVERAGE HOME SIZE



Source: The Gregory Group

With respect to sales rates, according to The Gregory Group, projects in the Contra Costa/Solano/Sonoma/Napa area averaged 2.6 sales/month in the 1st Quarter of 2019, which is down from 3.2 sales/month from 1st Quarter 2018. The 12-month average sales rate is 2.6 sales/month and is being pulled down in large part by the 4th Quarter 2018, when project sales averaged 1.7 sales/month (compared to 2.6 sales/month one year prior) amid a higher interest rate environment.

NEW HOME SALES TRENDS

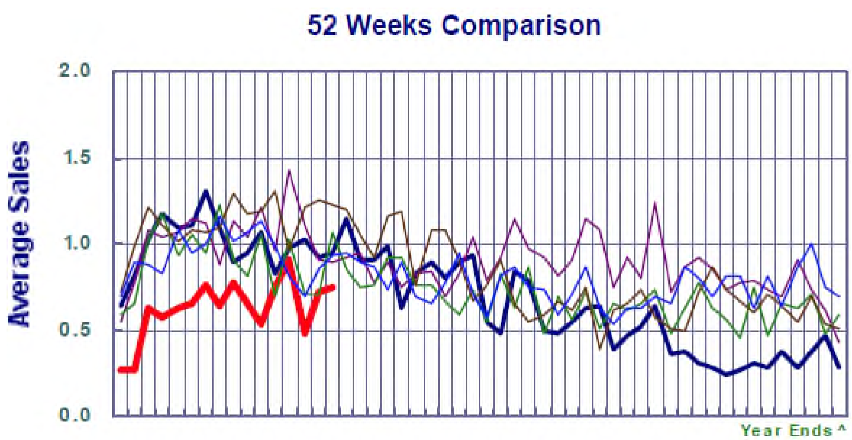
The Ryness Company, a company that publishes weekly new home sales, indicated the entire "Bay Area" region (north, south and east Bay Areas), like the nation and state, experienced a sharp decline in 4th Quarter of 2018, but declines actually began earlier in 2018 as interest rates increased. The average annual sales rate for the Bay Area in 2018 was down around 20% from the prior year. In the 1st Quarter of 2019, the Bay Area region averaged around 2.7 sales/month, which compares to around 4.0 sales/month for 1st Quarter 2018 (a year-over-year decline of 33%). However, the 1st Quarter 2019 sales rate was up around 93% compared the prior quarter (around 1.4 sales/month), which reflects the dramatic effect that declining sales rates in 2019 have had on sales.

The Ryness Company classifies the "Solano County" region as the collective areas of Benicia/Vallejo (1 active project) and Fairfield/Vacaville/Suisun and Dixon (19 active projects). In the 1st Quarter of 2019, the Solano County region averaged around 2.7 sales/month, which compares to around 3.9 sales/month for 1st Quarter 2018 (a year-over-year decline of 31%). However, like the Bay Area region overall, the 1st Quarter 2019 sales rate for Solano County was up around 350% compared to the prior quarter (around 0.6 sales/month).

"BAY AREA" REGION RYNESS REPORT SUMMARY – WEEK 16 (ENDING APRIL 21, 2019)

Year To Date Averages Through Week 16							Annual
Graph Legend	Year	Avg. Weekly Projects	Avg. Weekly Traffic	Avg. Weekly Sales	Avg. Weekly Cancels	Avg. Project Sales	Year End Avg. Proj. Sales
	2014	116	30	1.02	0.09	0.92	0.81
	2015	105	38	1.17	0.09	1.07	0.85
	2016	120	31	0.99	0.11	0.88	0.73
	2017	143	31	1.12	0.10	1.02	0.90
	2018	130	34	1.07	0.08	0.99	0.70
	2019	148	19	0.72	0.09	0.63	0.63
% Change :		14%	-46%	-33%	19%	-37%	-10%

* Averages rounded for presentation. Change % calculated on actual numbers.



Year-to-date, the Bay Area region has averaged 0.63 net sales per month (or around 2.7 net sales/month, based on 4.3 weeks/month). Compared to prior years, 2019 appears to be following a trend similar to 2014 thru 2017, when sales rates increased in Spring and tapered off as the year progressed. However, current sales rates are well below prior years due to diminished affordability as prices have risen. 2018 was an anomaly year where sales rates began to decline before Spring due to early-year interest rate increases (which subsequently continued throughout much of 2018).

OUTLOOK AND CONCLUSIONS – REGIONAL

Current forecasts expect the market to maintain its current trajectory through 2019, and possibly through 2020, before peaking. Thereafter, past residential cycles would suggest price declines, but due to continued supply constraints and elevated home rental costs, it is unclear at this time how prices will behave beyond 2019. The general consensus is—in light of current home prices and market cycle length—price increases are lessening with 2020 representing a possible inflection point for whatever comes next.

MARKET DELINEATION / SUBMARKET ANALYSIS

Market area identification serves to identify the sources of demand as well as the location, type, quantity, quality and price points of existing and potential competition. The delineation of the market begins with an examination of the site and proposed development and a general indication of what demographic and geographic area it will serve. The subject is located in the Fairfield/Vacaville area area.

QUALITY SEGMENT

The target quality segment market for the subject is first-time new/move up buyers. The subject project offers a range of lot sizes and home sizes, appealing to a range of buyer types that may include young and mature families, singles, retirees and move-down buyers. Many buyers will be migrating outward from more expensive areas of the Bay Area, with some choosing to commute (automobile or train) and some relocating for retirement.

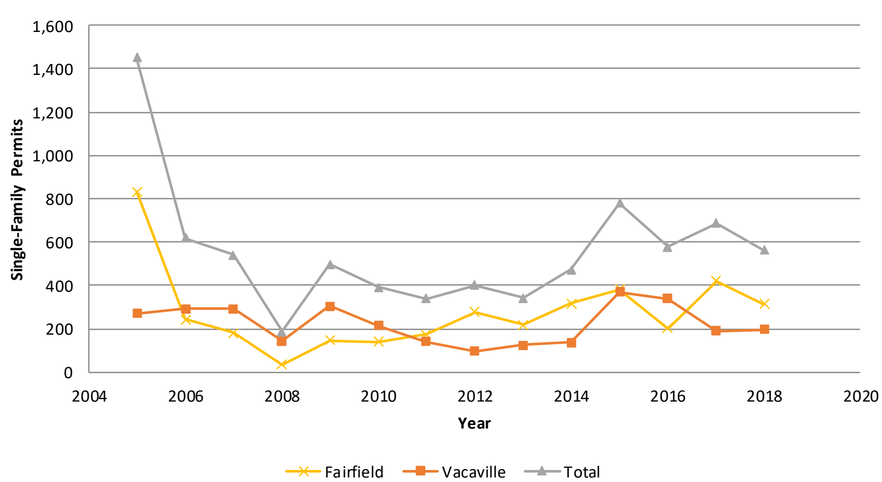
BUILDING PERMIT DATA

Below we summarize single-family permits pulled in the area since 2005. Permit levels for the combined Fairfield/Vacaville area have trended upward since 2008 but are well below 2005 (pre-recession) levels.

SINGLE-FAMILY BUILDING PERMITS - TABLED

Year	Fairfield	Vacaville	Total
2005	833	269	1,450
2006	242	292	619
2007	179	291	540
2008	34	143	186
2009	147	304	496
2010	139	214	391
2011	175	140	340
2012	277	97	401
2013	217	125	342
2014	316	138	471
2015	383	369	779
2016	201	337	577
2017	418	190	688
2018	314	196	561

SINGLE-FAMILY BUILDING PERMITS - CHARTED



Source: SOCDS

As shown, permit levels were down in Fairfield in 2018 compared to prior year, and held steady in Vacaville. Fairfield continues to capture the lion's share of sales for the regional area over the last two years.

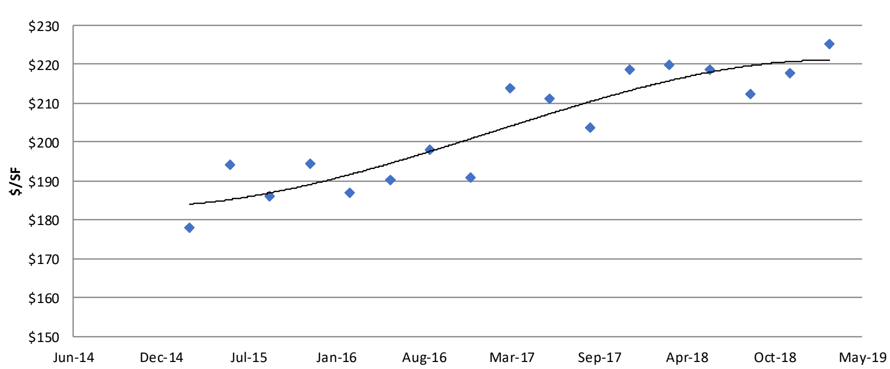
RESALE INDICATORS

Resale sales for homes built between 2000 and 2013 and on lots between 4,000 and 15,000 square feet in the 94533 zip code are summarized as on the following page. The average resale price / average home size has been trending upward for several quarters.

RESALE MARKET TRENDS

		Average					% Change (1)	
Period Ending	Total Sales	Size	List Price	$/SF	Sale Price	$/SF	Qtr to Qtr	YOY
Mar-15	22	2,354	$424,195	$180	$418,956	$178	-	-
Jun-15	29	2,302	$449,948	$195	$446,859	$194	9.1%	-
Sep-15	36	2,452	$460,523	$188	$456,268	$186	-4.1%	-
Dec-15	26	2,229	$435,583	$195	$433,012	$194	4.4%	-
Mar-16	12	2,362	$444,025	$188	$441,454	$187	-3.8%	5.0%
Jun-16	27	2,468	$472,815	$192	$469,519	$190	1.8%	-2.0%
Sep-16	25	2,423	$482,306	$199	$479,780	$198	4.1%	6.4%
Dec-16	24	2,615	$504,727	$193	$499,333	$191	-3.6%	-1.7%
Mar-17	21	2,277	$492,394	$216	$487,186	$214	12.1%	14.5%
Jun-17	24	2,431	$512,821	$211	$513,390	$211	-1.3%	11.0%
Sep-17	24	2,506	$512,297	$204	$510,221	$204	-3.6%	2.8%
Dec-17	28	2,383	$522,092	$219	$521,028	$219	7.4%	14.5%
Mar-18	21	2,458	$545,128	$222	$540,191	$220	0.5%	2.7%
Jun-18	22	2,587	$565,582	$219	$565,273	$219	-0.6%	3.5%
Sep-18	27	2,711	$578,707	$213	$575,274	$212	-2.9%	4.2%
Dec-18	24	2,443	$538,583	$220	$532,141	$218	2.6%	-0.4%
Mar-19	12	2,381	$538,858	$226	$536,458	$225	3.4%	2.5%

AVERAGE SALES PRICE / AVERAGE SF ($/SF)



Source: MLS

Shown above, the resale data exhibits a steadying as of late, albeit moderate volatility exists quarter to quarter. The average sales price/average SF in the 1st Quarter of 2019 for newer resales in the area was up 2.5% year-over-year. However, the total number of sales for the latest quarter (12) was down significantly from the prior year (21 sales). This is reflective of the broader regional trend (steadying prices, fewer sales occurring).

NOTABLE PROJECTS IN THE AREA

Village II of The Villages at Fairfield – The Master Developer of the subject project indicates it has two villages in the next phase of The Villages project that it plans to deliver as finished lots to builders by December 2019. One of these villages is reportedly under contract. There are two groups of lots: 90 lots of 2,925 SF, and 119 lots of 3,200 SF). These projects are expected to compete with the subject.

Hawhthorne Mill and Coopers Landing - To the southeast and east of the subject is the planned Hawthorne Mill and Coopers Landing projects. Hawthorne Mill contains 379.3 gross acres planned for 625 residential units, 3.9 acres of commercial land, 6.4 acres of parks and open space, 1.5 acres for a recreation center/clubhouse area, and 270.4 acres of habitat conservation. Coopers Landing (formerly Hawthorne Mill West) contains 32.5 acres panned for 169 residential units and 1.2 acres of parks and open space. Hawthorne Mill is closest to the train station and is envisioned as a transit-oriented project. Significant primary entitlements remain to be completed. These projects likely have a 5 to 10-year horizon before development occurs. The subject projects will be sold out before these projects come online.

Train Station Specific Plan – The land south of Gold Ridge and east of Peabody Road along Vanden Road comprises the 2,970-acre Train Station Specific Plan, which was approved in 2011. The project is designed as a transit- and pedestrian-oriented development with 6,800 housing units, of which 3,000 units will be built within one half mile of the train station.

In 2018, the City began processing applications for the first development in the "One Lake" area of the Train Station Specific Plan. The project is in the initial stages of site development. The One Lake development will add 2,226 homes over 380 acres, as well as retail and restaurant space. A library and boathouse will also be part of the mix.

Market participants have indicated one to two different builders are involved in the project, but no transfers have been reflected on public records. Based on entitlement approvals and development activity, the initial phase contains 567 residential units divided between five different product types: stacked flats, duets, cottage courts, traditional configuration homes on lots of 3,450 square feet, and traditional configuration homes on lots of 4,000 and 4,400 square feet. The project will have a lake, community center and accompanying HOA fee. The first groups of finished lots are expected to be sold to builders in late 2019, with the first homes to close approximately one year later. The subject project is expected to be mostly sold out by the time this project begins home sales.

Lagoon Valley Specific Plan - The (lower) Lagoon Valley Specific Plan is under the jurisdiction of Vacaville. The project is located just north of the city of Fairfield and southwest of the urban area of Vacaville, along the south side of Interstate 80. All primary entitlement approvals and environmental permits are in place, but lesser entitlements processes are ongoing as the project has had fierce environmental opposition. Lennar assumed the property upon its acquisition of CalAtlantic Homes. The project includes numerous land uses to be situated around a future golf course (if developed) or open space.

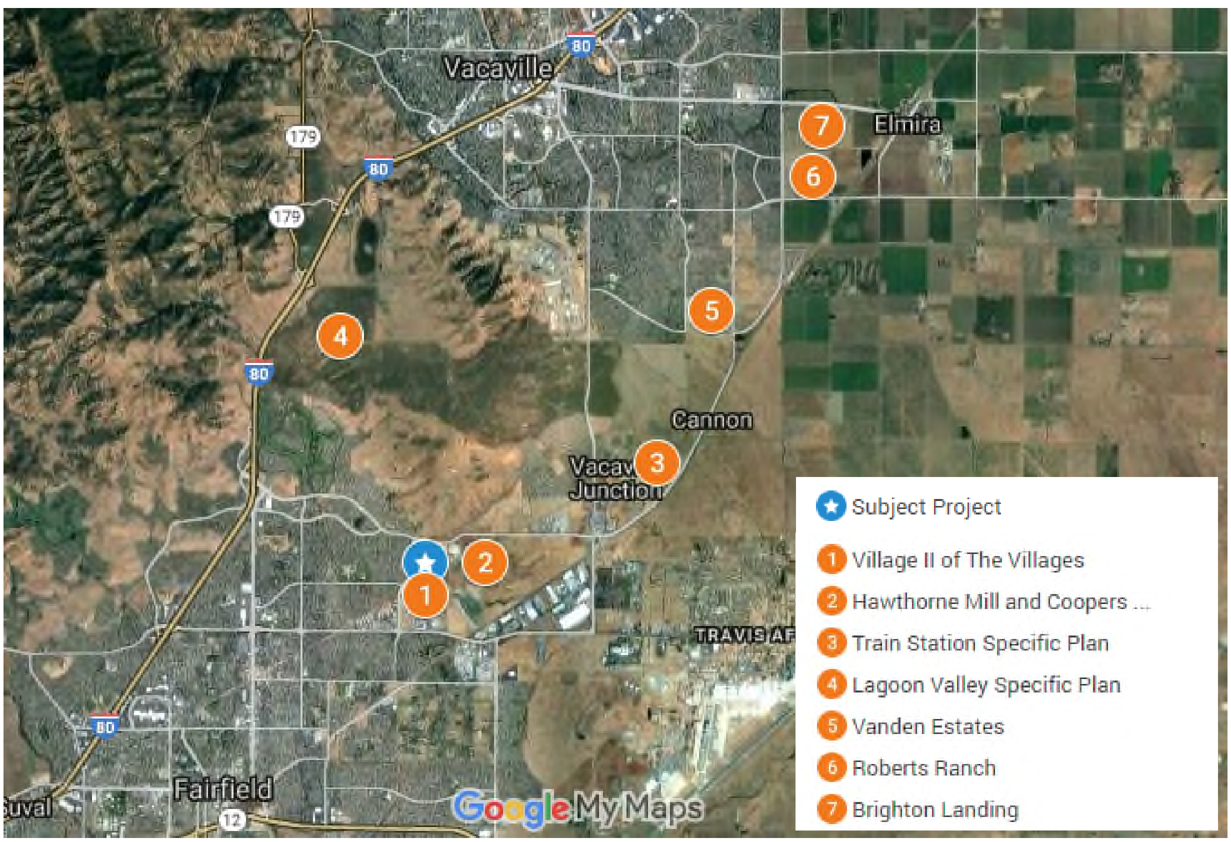
Vanden Meadows – Vanden Meadows is a 238-acre project in southeast Vacaville that is planned for 939 single-family residential units and other uses. The first 215 lots in the project were recently finished and sold to Richmond American Homes with 37 nearby lots (Casa Dei Venti). The first projects opened in late 2018. Collectively, Richmond American Homes is now selling four different product lines at this location. The project competes with the subject.

Roberts Ranch – This project is 248 acres planned for 785 lots. The property is still developer-owned. The developer has initiated initial backbone development for Phase 1 (275 lots) and has enlisted a national brokerage land company to market the property. In late 2018, a national homebuilder was under contract to acquire Phase 1 as blue-topped lots but backed out of the contract. The subject project is expected to be mostly sold out by the time this project comes online.

Brighton Landing – This project is located in southeast Vacaville and is planned for 767 single-family units over 12 villages at buildout. The project is located immediately north of Roberts Ranch. Woodside Homes is nearly complete with Villages 1 through 6. At the end of the 1st Quarter of 2019, its Addington product (3,500 SF lots) had 64 lots remaining. The project competes with the subject. Woodside's Tanridge project had just 3 homes remaining and is effectively sold out as of the date of value.

Villages 7 through 12 (413 lots) are under the control of The New Home Company, which opened two product lines (Bristol and Oxford) in January 2019. These projects have lot sizes of 4,800 and 6,000 SF, respectively. Site development is continuing on other villages. These projects compete with the subject.

NOTABLE PROJECTS MAP



ACTIVE NEW HOME PROJECTS

New home projects in the area (Fairfield and Vacaville) are summarized on the following page.

NEW HOME PROJECTS

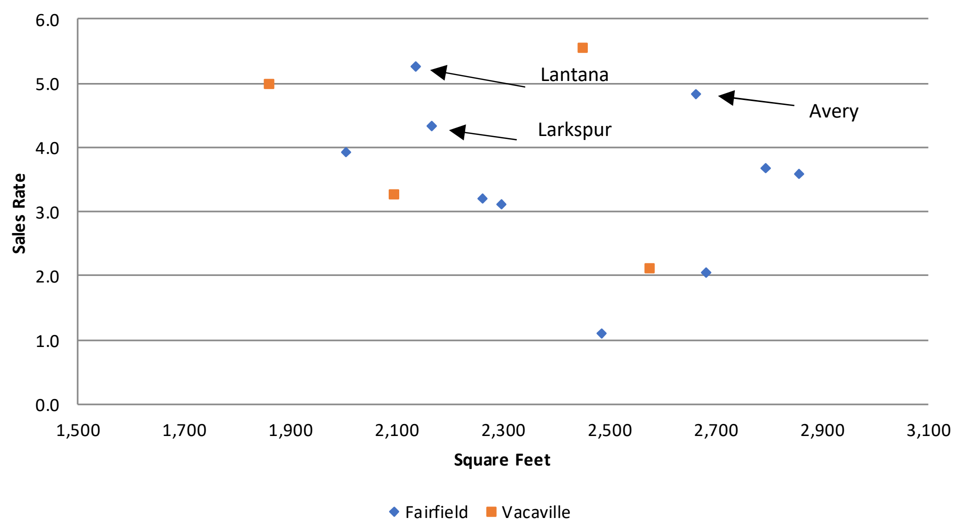
Project	Builder	Location	Open Date	Lot Size	Plan Size	Base Price (Current or At Sell-Out)	Total Planned	Total Sold	Inventory	1Q 19 Sold	4Q 18 Sold	3Q 18 Sold	2Q 18 Sold	1Q 18 Sold	4Q 17 Sold	Total	Mnthly Avg.
Aria	Discovery Homes	Fairfield	9/30/2017	3,150	2,055 - 2,401	$570,000 - $630,000	64	56	8	7	12	10	9	N/Av	N/Av	56	3.1
Bloom at Green Valley	Tri Pointe Homes	Fairfield	11/15/2017	3,300	2,026 - 2,425	$539,900 - $579,900	91	53	38	15	-2	5	21	8	6	53	3.2
Brookline	Meritage Homes	Fairfield	11/15/2018	3,250	2,216 - 2,564	$499,950 - $529,950	90	1	89	1	0	-	-	-	-	1	0.2
Brookline Estates	Meritage Homes	Fairfield	11/15/2018	7,150	2,357 - 2,787	$574,950 - $594,950	14	1	13	1	0	-	-	-	-	1	0.2
Harvest at Green Valley	Tri Pointe Homes	Fairfield	11/15/2017	3,500	2,293 - 3,040	$559,900 - $639,900	53	34	19	5	-1	5	12	8	5	34	2.1
Ladera View (Village IV of the Villages)	Discovery Homes	Fairfield	7/10/2017	5,000	2,102 - 3,524	$565,000 - $675,000	105	71	34	15	3	15	10	N/Av	N/Av	43	3.6
Avery at the Villages (Subject Project)	***Discovery Homes***	***Fairfield***	***9/30/2019***	***5,000***	***2,105 - 3,106***	***$550,000 - $599,000***	***87***	***22***	***65***	***2***	***20***	-	-	-	-	***29***	***4.8***
Lantana at the Villages (Subject Project)	***Tri Pointe Homes***	***Fairfield***	***10/13/2018***	***3,375***	***1,817 - 2,427***	***$471,900 - $516,900***	***133***	***24***	***109***	***13***	***11***	-	-	-	-	***29***	***5.3***
Larkspur at The Villages (Subject Project)	***Richmond American Homes***	***Fairfield***	***3/31/2018***	***3,500***	***2,090 - 2,250***	***$492,950 - $510,950***	***93***	***52***	***41***	***12***	***11***	***14***	***15***	-	-	***52***	***4.3***
Paradise 360	DeNova Homes	Fairfield	3/1/2018	3,500	1,600 - 2,213	$465,000 - $505,000	68	51	17	20	11	9	11	0	-	51	3.9
Reserve at Serenade	Discovery Homes	Fairfield	2/24/2018	6,500	2,159 - 3,472	$649,500 - $769,500	91	48	43	10	5	15	13	5	-	48	3.7
Village Oaks	Blue Mountain Communities	Fairfield	1/15/2018	3,500	2,101 - 2,703	$569,240 - $615,990	38	16	22	0	0	6	3	7	-	16	1.1
Addington at Brighton Landing	Woodside Homes	Vacaville	12/15/2016	3,500	1,664 - 2,100	$450,990 - $476,990	199	135	64	26	4	10	20	15	15	90	5.0
Avondale	Discovery Homes	Vacaville	6/22/2018	5,000	1,622 - 3,064	$509,000 - $589,000	127	50	77	25	11	4	10	-	-	50	5.6
Bristol	The New Home Company	Vacaville	1/12/2019	4,800	1,959 - 2,605	$538,000 - $573,000	64	7	57	7	-	-	-	-	-	7	2.8
Oxford	The New Home Company	Vacaville	1/12/2019	6,000	2,216 - 2,762	$578,000 - $607,000	80	7	73	7	-	-	-	-	-	7	2.8
Piedmont	Richmond American Homes	Vacaville	3/29/2019	12,500	2,550 - 2,550	$620,950 - $620,950	22	4	18	4	-	-	-	-	-	4	4.0
Saratoga	Richmond American Homes	Vacaville	3/29/2019	5,000	2,320 - 2,320	$559,950 - $559,950	36	2	34	2	-	-	-	-	-	2	2.0
Tanridge at Brighton Landing	Woodside Homes	Vacaville	12/15/2016	4,000	1,536 - 2,526	$479,990 - $535,990	104	101	3	1	3	6	21	10	18	59	3.3
The Enclave	Richmond American Homes	Vacaville	3/29/2019	5,000	2,290 - 2,290	$565,950 - $565,950	37	2	35	2	-	-	-	-	-	2	2.0
Redstone (Sold Out)	Tri Pointe Homes	Vacaville	1/10/2015	5,000	1,864 - 3,119	$520,000 - $607,900	141	141	0	-	2	2	9	24	-5	32	2.1
									859								
									Total Quarterly Sales	175	90	101	154	77	39	636	
									No. of Competing Projects	20	16	12	12	8	5	73	
									Pro-Rata Qtrly Sales	8.8	5.6	8.4	12.8	9.6	7.8	8.7	
									Pro-Rata Monthly Sales	2.9	1.9	2.8	4.3	3.2	2.6	$\boxed{\textbf{2.9}}$	

Source: The Gregory Group; Ryness; Subject Master Developer

BBG

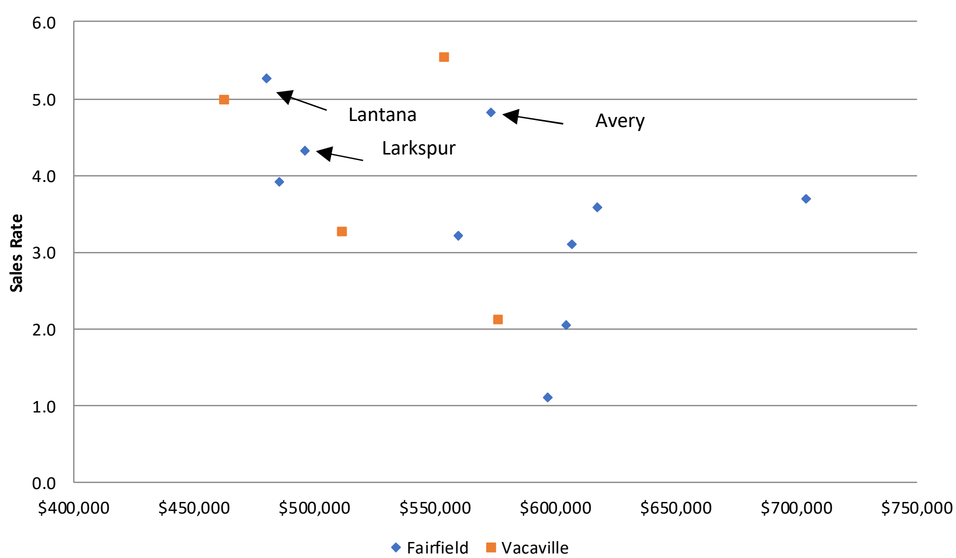
Below, for projects from the prior summary table that have been marketing at least five months, we plot the average sales rates by average size and by average price. A declining relationship is typical.

MONTHLY SALES RATE BY AVERAGE SIZE



Source: The Gregory Group

MONTHLY SALES RATE BY AVERAGE HOME PRICE



Source: The Gregory Group

The average sales rates for the subject projects Lantana and Average through the 1st Quarter of 2019 are slightly above trend, with sales rates for these projects skewed upward slightly by the limited amount of time these projects have been open.

SUBJECT PROJECT SALES

Based on actual sales figures through the date of value (in contrast to quarterly data presented in the preceding section), overall subject project sales rates are summarized below.

HOME SALES HISTORY

Project	Open Date	Homes Sold* Thru Date of Value	Marketing Period (months)	Sales Per Month
Avery at The Villages by Discovery Homes	9/30/2018	26	6.6	3.9
Larkspur at the Villages by Richmond American Homes	3/31/2018	56	12.7	4.4
Lantana at The Villages by Tri Pointe Homes	10/13/2018	25	6.2	4.0

*Includes homes under contract that have not closed escrow

Note that the sales rates indicates through the date of value for Avery and Lantana are slightly lower than indicated by the quarterly data, attributable to the impact of initial project sales (with pre-sales) being front-loaded over a small survey period (e.g. 12 weeks vs. 14 weeks).

ABSORPTION AND PROJECTED SUPPLY AND DEMAND

Projects in the Fairfield/Vacaville area have generally averaged 2.9 sales/month over the last 18 months, with projects like the subject with average prices less than $550,000 generally achieving 3 to 5 sales per month. To date, the subject projects have each averaged around 4 sales per month, with presales and a limited marketing period skewing their averages upward. We anticipates the subject's sales rates will decline slightly as 2019 continues. Our estimated absorption and revenue trend (if any) for the subject is shown below.

ESTIMATED LOT ABSORPTION AND PRICE CHANGES

Village	Lot Size	Units*	Est. Avg. Home Size	Current Est. Avg. Base Price	Absorption/ Quarter	Absorption /Month	Estimated Annual Price Increase	Estimated Percentage Increase
Unit 1 - Traditional	5,000	59	2,650	$560,000	9	3.00	$11,200	2.0%
Unit 2 - Traditional	4,500	118	2,300	$530,000	10	3.33	$11,200	2.1%
Unit 3 - Traditional	3,500	66	2,150	$480,000	11	3.67	$11,200	2.3%
Unit 4 - Traditional	3,375	116	2,200	$480,000	11	3.67	$11,200	2.3%
		359	Weighted:	$509,582			$11,200	2.2%

*Lots remaining to be sold (total less completed/transferred homes, model homes and Substantially Completed homes

The absorption rate is roughly in line with an elasticity analysis that measures the relationship of price to pace given data from the set of comparable communities. The absorption estimate assumes model homes will be used to promote sales.

After a period of elevated concessions and/or price moderation amid a challenging 4th Quarter 2018, new home projects, including subject projects, have increased very slightly prices as of late. For the next 12 months, we expect a very mild price increase of 2.0%/year for the subject's 5,000 SF product, which translates into marginally higher percentages (2.3%) increases for the other lot categories which have lower pricing, equating to around 2.2% per year on average.

Below, we have considered total demand with the subject's phased demand with competitive supply. The remaining lots within Units 1 and 3 are expected to be sold with homes within two years, and Unit 4 is expected to be sold with homes within three years. Assuming Unit 2 is brought to market with finished lots as soon as possible, this area would be sold out with homes in four years. Shown below, total permits between active and near term projects begin to decline in Year 2 as projects sell out; these projects are expected to be replaced by new projects in the development pipeline, such as One Lake in the Train Station Specific Plan (Fairfield), the Lagoon Valley Specific Plan (Vacaville) and Roberts Ranch (Vacaville).

ESTIMATED LOT ABSORPTION SCHEDULE

				Year 1				Year 2				Year 3				Year 4			
Project/Area	Lot Size	Qtr. Sales	Total	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Subject Property																			
Unit 1 - Traditional	5,000	9	59	6	9	9	9	9	9	8	-	-	-	-	-	-	-	-	-
Unit 2 - Traditional	4,500	10	118	-	-	7	10	10	10	10	10	10	10	10	10	10	10	1	-
Unit 3 - Traditional	3,500	11	66	7	11	11	11	11	11	4	-	-	-	-	-	-	-	-	-
Unit 4 - Traditional	3,375	11	116	7	11	11	11	11	11	11	11	11	11	10	-	-	-	-	-
Other Projects																			
Ladera View (ongoing)	5,500	9	34	9	9	9	7	-	-	-	-	-	-	-	-	-	-	-	-
Paradise 360 - Denova (ongoing)	3,500	12	17	12	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Brookline (ongoing)	3,250	11	76	11	11	11	11	11	11	10	-	-	-	-	-	-	-	-	-
Villages at Fairfield - Village II	2,925	11	90	-	-	7	11	11	11	11	11	11	11	6	-	-	-	-	-
Villages at Fairfield - Village II	3,200	11	119	-	-	7	11	11	11	11	11	11	11	11	11	11	2	-	-
Vanden - Piedmont & Phase 5 (ongoing)	6,000	9	62	9	9	9	9	9	9	8	-	-	-	-	-	-	-	-	-
Vanden - Saratoga & Phase 4 (ongoing)	6,000	9	97	9	9	9	9	9	9	9	9	9	9	7	-	-	-	-	-
Vanden - Monterra (ongoing)	5,000	9	64	9	9	9	9	9	9	9	1	-	-	-	-	-	-	-	-
Vanden - Enclave (ongoing)	6,500	9	37	9	9	9	9	1	-	-	-	-	-	-	-	-	-	-	-
Bristol - Brighton Landing (ongoing)	4,800	10	57	10	10	10	10	10	7	-	-	-	-	-	-	-	-	-	-
Oxford - Brighton Landing (ongoing)	6,000	9	73	9	9	9	9	9	9	9	9	9	1	-	-	-	-	-	-
Addington - Brighton Landing (ongoing)	3,500	9	61	9	9	9	9	9	9	7	-	-	-	-	-	-	-	-	-
Quarterly Totals				116	120	137	145	130	126	107	62	53	52	43	21	21	12	1	0
Annual Totals							518				425				169				34

PROJECTED TRENDS, OUTLOOK AND CONCLUSIONS

While the market is approaching an inflection point, the remaining subject lots are well-positioned for development. Fairfield is relatively affordable compared to other first time new/move up submarkets within commuting distance to the Bay Area, and while demand in late 2018 wavered amid rising interest rates, interest rate declines in 2019 have provided relief with expectations that the market has not yet peaked but is nearly at peak. How long the cycle lasts will depend on macroeconomic factors like interest rates and wage growth, and whether rents hold steady.

Market participants expect the current residential cycle should extend through 2019 and possibly through 2020. After 2020, the forecast is unclear. The length of past market cycles would support price and sales declines after 2020; however, the current growth cycle has yielded building permit levels that represent a fraction of past cycles. Supply remains limited. Prices and sales could hold steady for a period beyond 2020.

HIGHEST AND BEST USE

A determination of highest and best use is necessary prior to valuation of a property. In the sixth edition of *The Dictionary of Real Estate Appraisal*, the Appraisal Institute defines Highest and Best Use as: "The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

We conduct four tests to determine the highest and best use of the subject property:

- Legally permissible per the applicable zoning standards and other restrictions
- Physically possible
- Financially feasible
- Maximally productive

Typically, these tests are applied in the order listed above. The highest and best use of a property is the one that meets the first three criteria, and will produce the greatest future benefit to the owner. Analysis of the highest and best use of the land assumes that the subject site is vacant and available for development to the determined highest and best use. The analysis of Highest and Best Use As Improved determines whether continued use as is, alteration, or demolition and redevelopment constitutes the maximally productive use of the existing improvements.

AS IF VACANT

LEGALLY PERMISSIBLE

The subject is zoned RLM-5 (Unit 1), RLM-4.5 (Unit 2) and RLM (Units 3 and 4), Residential Low Medium Density. Based on this zoning designation, the site can be developed with single-family residential homes. No other restrictions have been identified that would limit development of the property beyond the development standards stipulated by the municipal code for the subject's designated zoning. Given prevailing land use patterns in the area, only single-family residential development is given further consideration in determining the highest and best use of the site as vacant.

PHYSICALLY POSSIBLE

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Surrounding land uses are similar or complementing. Primary offsite improvements appear to be in place with utility connections available. The subject is not located in an adverse flood or earthquake zone. Nearby parcels have been developed with no apparent negative soil conditions.

The subject consists of groups of finished lots under different ownerships. Development of these lots for production home projects (as opposed to individual retail sale) may be maximally productive, based on the number of lots, sizes, lot type and surrounding home quality.

FINANCIALLY FEASIBLE

Based on our analysis of the market, there is currently adequate demand for new single-family homes in the subject's area. As shown in the land residual analysis presented in the valuation section of this report, the value of the subject as completed homes, less construction costs, is positive. Moreover, numerous lots have sold to merchant builders over the last 36 months, providing evidence of builder demand. Therefore, single-family residential development is financially feasible.

MAXIMALLY PRODUCTIVE

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than single-family residential development. Accordingly, it is our opinion that single-family residential development is the maximally productive use of the property. Based on the lot density and location, the subject is best suited for production homes. In light of the fact the subject properties consist of multiple lot size categories and ownerships, it would be prudent for existing owners to work together, allowing for product lines to complement one another and to ensure there is not too much competition/supply within the same project.

CONCLUSION – AND MOST PROBABLE BUYER

Single-family residential development is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant. Builder demand for lots across the region is strong; the probable buyer of the subject units would be production home builders.

AS IMPROVED OR PROPOSED

Highest and best use of a property as improved pertains to the use that should be made considering its current (or proposed) improvements. The subject lots are planned for finished lots. The highest and best use and probable buyer are the same as the "as vacant" condition.

Ultimately, the subject will be developed with single-family homes. The probable buyers upon completion of the homes are individuals.

VALUATION PROCESS

In developing an opinion of value, appraisers consider the Cost Approach, Sales Comparison Approach and the Income Approach. These three valuation methods are defined in the following table:

VALUATION METHOD	DEFINITION
Cost Approach	In this approach, the contributory value of the improvements (after deductions for accrued physical depreciation, functional obsolescence, and external obsolescence) is added to the value of the land as if it were vacant per our determination of highest and best use. If the interest appraised is other than fee simple, additional adjustments may be necessary for non-realty interest and/or the impact of existing leases or contracts.[1]
Sales Comparison Approach	In this approach, recent sales of similar properties in the marketplace are compared directly to the subject property, based upon a market-derived unit of comparison (i.e. price per square foot). We analyze physical, locational, and geographic differences between the subject and each comparable, and apply quantitative or qualitative adjustments to the comparables in order to arrive at an indication of value. The theoretical basis for this approach lies in the principle of substitution, whereby investors or owner-users are able to comparison-shop and set prices based on relative differences in properties. The reliability of an indication found by this method depends on the quality of the comparable data found in the marketplace.[1]
Income Capitalization Approach	The income approach utilizes a market-oriented rate of return to convert a property's potential income into a value indication (capitalization). The approach considers explicitly considers rent, vacancy, expense, and capitalization/discount rate trends in the subject's market, and reflects the primary analysis employed by most investors in leased commercial real estate assets. The two most commonly used income approach methodologies are direct capitalization and discounted cash flow analysis. These are frequently employed separately or in concert, depending upon the economic characteristics of the property, and the anticipated process of the most probable purchaser. The theoretical basis for this approach comes from the principle of anticipation and substitution. The principle of anticipation applies because the value of a property is the present value of expected future cash flow. The principle of substitution is also applicable, because rental rates for the subject property must be in line with those of competitive space. Furthermore, the value estimated by the income capitalization approach assumes that investors will earn a rate of return consistent with that available for alternative investments of comparable risk.[1]

[1] Real Estate Education Company, "Income Property Appraisal", 1991.

We have considered the physical and economic characteristics of the property, as well as the most probable purchaser concluded in the analysis of Highest and Best Use, to determine the appropriate valuation methodology.

The valuation begins with the proposed home construction, where the sales comparison approach is the most applicable approach and sufficient sales data is available. In the sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparables and subject. The adjusted values are reconciled into final conclusions of value. The cost approach for retail home valuation is not applicable since such an analysis would rely on a retail lot valuation, and there is not an active market of retail lot sales of lots designed and intended for production homes (such lots are primarily sold in bulk to merchant builders). While a separate cost approach is not utilized, note that we conduct a “top down” land value analysis that considers all anticipated construction costs relative to anticipated home prices. This method is effectively a reverse cost approach that may also be used to gauge financial feasibility. Moreover, the income capitalization approach is not applicable for the completed homes because, while single-family homes can produce income, the market is owner-user dominated with prices established based on sales. For the valuation of the homes in bulk, the estimated home values are incorporated into a discounted cash flow analysis that considers the time and cost of selling the homes over an estimated absorption period.

In the valuation of the subject lots, we utilize the sales comparison and the income capitalization approach, which, for subdivision analysis, is commonly referred to as the subdivision development method. The sales comparison approach considers area bulk lot sales, with adjustments applied accordingly relative to the subject. The subdivision development method is a discounted cash flow analysis that reflects anticipated home prices and costs over an absorption period, leading to an estimate of residual land value. The projected cash flows have a finite life that corresponds with the sellout of the project.

A traditional cost approach for the subject lots is not applicable. However, in the finished lot valuation, we utilized numerous land sales, some of which were vacant land sales. We considered the cost of completing site improvements for each sale when determining an estimate of finished lot value; and from this value, we deducted the subject’s projected remaining site improvement costs (if any) to arrive at an estimate of as is value. The same value could have been resulted had the comparables been analyzed on an unimproved or partially finished basis, with adjustments made for projected site development cost differences. From this value, we could have added the subject’s projected remaining site development costs and arrived at an estimate of finished lot value. However, this method is not utilized by market participants, who prefer to analyze land deals on an “all in” land plus cost basis. The method applied in this report mirrors how market participants analyze like property. Moreover, in arriving at an estimate of finished lot value, costs associated with proposed home construction relative to current home pricing were considered in the subdivision development method.

For each component analyzed, we reconcile the value indications of each approach to value. The reliability of each approach, and resulting emphasis given in the final reconciliation, is determined based upon the quantity, quality, and overall reliability of its data.

HOME VALUATION

BASIS OF PLAN ANALYSIS

The product lines within the subject property are summarized below. For each plan offered, we estimate a base market value.

LOT AND PRODUCT SUMMARY

Village ID	Project	Typical Lot Size (SF)	Number of Lots	Home Size Range (SF)	Builder's Avg. Home Size (SF)
Unit 1	Avery at The Villages by Discovery Homes	5,000	87	2,105 to 3,106	2,655
Unit 2	*	4,500	118	*	*
Unit 3	Larkspur at The Villages by Richmond American	3,500	93	2,090 to 2,250	2,163
Unit 4	Lantana at The Villages by Tri Pointe Homes	3,375	133	1,817 to 2,427	2,191

*Unit 2 is owned by the Master Developer; lots have not yet sold to a merchant builder

SALES COMPARISON APPROACH

In order to develop an opinion of the subject site as if vacant and available for development to its highest and best use, we employ the sales comparison approach. This is accomplished by compiling, verifying, and comparing recent and pending sales, as well as listings of sites similar in location, potential use, and physical attributes. The sales comparison approach is based upon the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

We have taken the following steps in utilizing the sales comparison approach:

- Research recent sales of comparable improved properties;
- Select the most comparable sales and present the pertinent data on these sales;
- Adjust the sales for differences in the various elements of comparison; and
- Describe the analysis and conclude a value indication based upon the adjusted sale prices of the comparables.

A comprehensive search was conducted to locate sales of homes with floor plans similar to the subject. We researched new home prices (asking prices and closings) and resales.

The unit of comparison in the sales comparison approach is total sale price, which is the most common unit of comparison for the valuation of single-family residences.

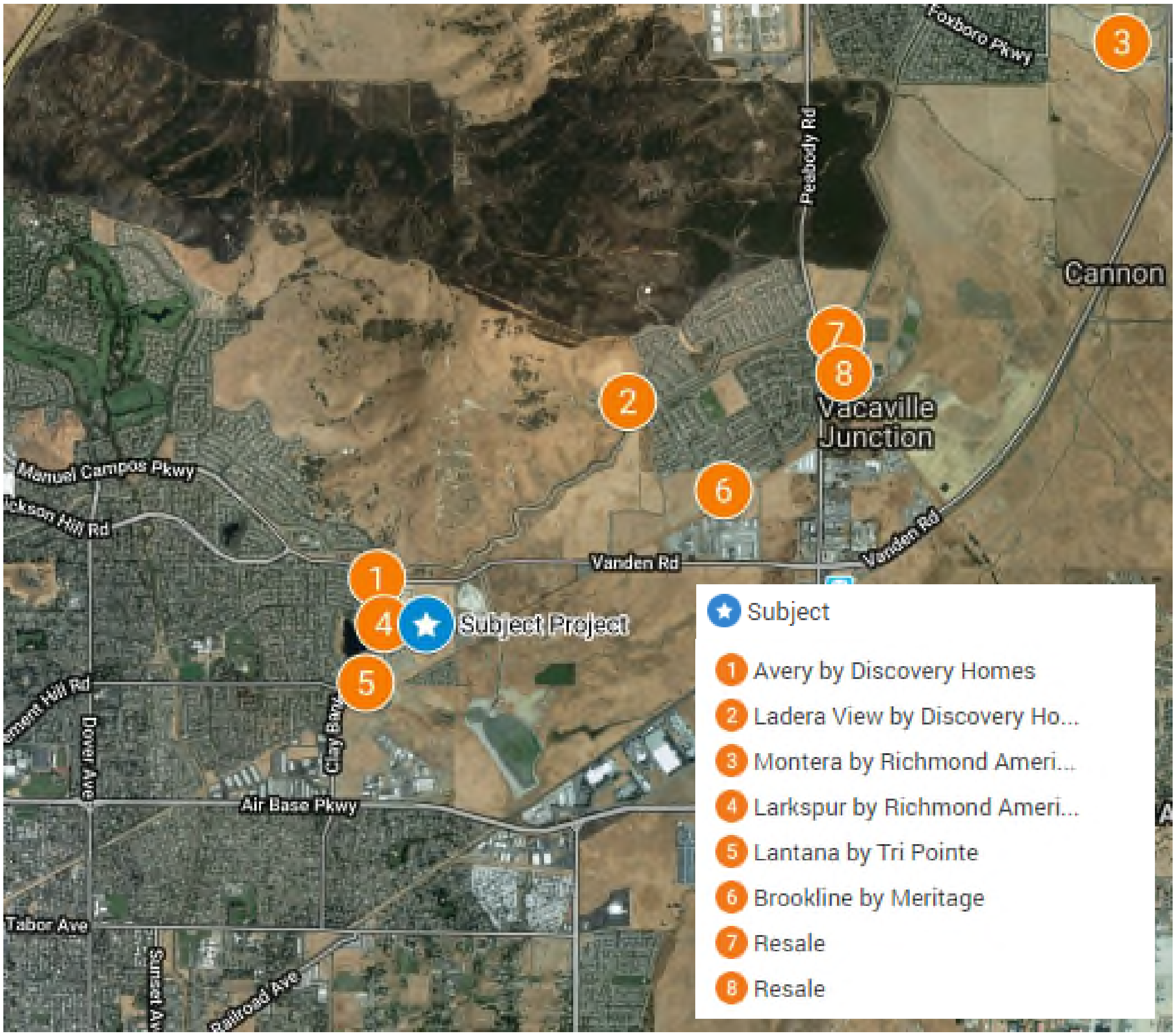
COMPARABLE HOME SALES

On the following pages, we present a map and photos of the comparable home sales determined to be most relevant to the subject.

ADJUSTMENT FACTORS

The sales were compared to the subject and adjusted to account for material differences that affect value. We've considered property rights conveyed, financing terms, conditions of sale, market conditions, location and physical features. The adjustments applied are discussed in the sequence that follows. Except for where otherwise noted, if a characteristic is not discussed, no adjustment is applied. The adjustments and value conclusion(s) are then depicted in the appropriate grid(s).

COMPARABLES MAP



COMPARABLES PICTURES

Comparable 1 – Avery by Discovery Homes
Photo of model/representative construction

Comparable 2- Ladera View by Discovery Homes
Photo of model/representative construction

Comparable 3 – Montera by Richmond American
Exhibit from Builder website; models under construction

Comparable 4 – Larkspur by Richmond American
Photo of model/representative construction

Comparable 5 – Lantana by Tri Pointe
Photo of model/representative construction

Comparable 6 – Brookline by Meritage
Photo of model/representative construction

COMPARABLES PICTURES (CONTINUED)

Comparable 7 – Resale at Madison Park
Photo from MLS

Comparable 8 – Resale at Madison Park
Photo from MLS

ANALYSIS AND ADJUSTMENT OF SALES

Concessions	Accounts for incentives or discounts not reflected in the closing price, such as closing costs. Usually applied directly to sale price on a lump sum basis.	Sales incentives were either deducted (e.g. closing costs or concession paid by seller) or already reflected (home upgrades) in the reported closing prices.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction.	Certain closed sales were identified as inventory home sales that involved seller-motivation. These comparables receive upward adjustments. Comparable 3 (Montera) is marketing homes before model homes are completed. An upward adjustment is warranted for this factor.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	If a new home comparable contracted more than three months before the date of value, the comparable is adjusted upward based on 0.25% per month to account for market price increases as of late.
Location	Market or submarket area influences on sale price; surrounding land use influences.	The comparables do not require location adustments.
Tax Rate	Varying bonds/special assessments that affect affordability and carrying costs.	We've considered differences in effective tax rates between the comparables and the subject (with the CFD). Adjustments are applied accordingly.
Community Appeal	Neighborhood and project specific factors that influence pricing	Comparable 6 has a below average marketing window (its entry point extends near industrial development). Comparables 7 and 8 are located near a water treatment plant. These comparables receive upward adjustments.
Lot Size	Accounts for variances in pricing relative to lot size, as larger lots can typically accommodate larger, more expensive homes.	Suburban lots typically generate size premiums in the range of $3 to $20/SF, depending on the size of the property (diminishing size premiums per square foot for larger lots). Adjustment factors are shown in the adjustment grids.
Site Influence	Accounts for lot positions that generate premiums not reflected by lot size adjustments (such as corner or cul-de-sac positions).	Adjustments are applied accordingly, if necessary.
Project Type	Accounts for differences between the type of project such as traditional, cluster or alley-loaded, duet or townhome.	The subject and comparables have traditional configurations. Adjustments for this factor do not apply.
Design/Appeal/ Features	Accounts for differences in base construction quality and/or design features.	Construction quality varies by project. The comparables are adjusted upward or downward, accordingly, relative to typical base construction quality for the area.
Age/Year Built	Accounts for physical depreciation since date of construction.	Resale comparables (if any) are adjusted based on 0.50% per year of effective age.
Condition	Accounts for the premium achieved by new homes by virtue of the fact the homes have never been occupied (evidenced by lower prices achieved by homes that have resold within one year of construction).	Resale comparables (if any) receive 2.5% upward adjustments for having a used condition (in addition to separate effective age adjustments).

Room Count	While room count may be buyer preference (with extra rooms resulting in more living area, adjusted separately), bathrooms are functional and require substantial costs, typically in the range of $5,000 per half-bath to $10,000 per full-bath for the subject's market segment.	Adjustments are applied accordingly to the comparables relative to the respective base plans.
Living Area	Accounts of differences in living area, with the adjustment factor derived by paired sales of similar homes offered at new home projects.	Market data generally reflects a range of $55 to $125 per square foot for the subject's market segment. Adjustment factors (selected by unit size) are shown in the adjustment grids.
Stories	All else being equal, one story homes are desired more strongly by the market than two story homes, and two story homes are more strongly desired than three story homes.	Adjustments are applied, accordingly, using an adjustment of $15,000 for one story vs. two story homes.
Garage	Accounts for differences in total garage size, including full car garage and tandem spaces.	Based on sales agent interviews and paired sales, we have estimated a $10,000 adjustment per full car space, $5,000 per tandem space and $2,500 to $5,000 if garages feature storage areas. Adjustments are applied to the comparables accordingly.
Landscaping	Accounts for differences in the level of standard landscaping. Front yard landscaping is typical for most production home projects.	Resale comparables (if any) are adjusted based on our review of photos on the MLS.
Patios/Decks	Accounts for differences in covered porch areas and/or decking. Front porches are standard in this submarket.	Builders typically charge around $10,000 to add a full covered rear porch, if not standard. Adjustments are applied, accordingly, if necessary.
Fireplaces	Accounts for differences in the total number of fireplaces in each unit (based on $2,500 per fireplace).	Adjustments applied accordingly.
Upgrades/Options	Accounts for upgrades/options above the base amenity level.	Comparables receive adjustments, accordingly, based on our review of interior photos and agent descriptions (from MLS) and upgrades reported at new home projects. Adjustments are primarily based on specific amounts provided by sales agents. If specific upgrade amounts were not available, the adjustments are estimated by the appraiser. Note that upgrades within resales (if any) generally affect home prices on a less than dollar-for-dollar basis that the cost of installing the upgrades.
Solar	Accounts for solar units between the comparables and subject, estimated at $10,000 per solar unit based on solar options charged by new home projects.	Adjustments for this factor do not apply.

ADJUSTMENT GRID – AVERY PLAN 1

Item		Subject Property	Comparable No. 1-A			Comparable No. 1-B			Comparable No. 2-A			Comparable No. 3-A		
Project		Avery	Avery			Avery			Ladera View			Montera		
Builder		Discovery Homes	Discovery Homes			Discovery Homes			Discovery Homes			Richmond American		
Master Plan		The Villages (Village 1)	The Villages (Village 1)			The Villages (Village 1)			The Villages (Village 4)			Vanden Estates		
New or Resale		New	New			New			New			New		
Address		Base Plan	Lot 48			Lot 30			1917 Clyde Jean Place			921 Verissmo Ct		
Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Vacaville (TUSD)		
Proximity to Subject		N/A	Subject Project			Subject Project			< 1.0 Miles NE			< 4.0 Miles NE		
Data Source		Builder	Builder & Public Records			Builder & Public Records			MLS			Website		
Price		$550,000			$611,500			$616,000			$575,500			$519,000
Price/SF Living Area		$261 psf			$290 psf			$293 psf			$274 psf			$250 psf
Adjustments														
Concessions			Yes - CC		($5,000)	None			Yes		($5,000)	Yes		($15,570)
Effective Price					$606,500			$616,000			$570,500			$503,430
Property Rights		Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms		Market	Similar			Similar			Similar			Similar		
Sale Conditions		Market	Similar			Similar			Inventory	2.5%	$14,263	New/No Models	5.0%	$25,172
Market Conditions	0.25%	Current	4/19 COE			4/19 COE			3/19 COE			Current		
			1/19 Contract			12/18 Contract	1.0%	$6,160	1/19 Contract					
Interim Adj. Value					$606,500			$622,160			$584,763			$528,602
Project Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Vacaville (TUSD)		
Effective Tax		Above Avg.	Similar			Similar			Superior		($2,500)	Superior		($10,000)
HOA/month		-	Similar			Similar			Similar			Similar		
Community Appeal		Average	Similar			Similar			Similar			Similar		
Density, (if attached)		N/A	N/A			N/A			N/A			N/A		
Lot Size SF		5,000	5,000	$8 psf		5,000	$8 psf		6,064	$8 psf	($8,512)	5,000	$8 psf	
View		None	Similar			Similar			Similar			Similar		
Site Influence		Interior	Similar			Similar			Similar			Similar		
Type (Attached/Detached)		Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features		Average	Similar			Similar			Similar			Similar		
Year Built		2019	2019			2019			2019			2019		
Effective Age	0.50%	0	0	0.0%		0	0.0%		0	0.0%		0	0.0%	
Condition		New/Good	New			New			New			New		
Room Count Bdrm	$0	Bdrm / Bth	Bdrm / Bth			Bdrm / Bth			Bdrm / Bth			Bdrm / Bth		
Bath	$10,000	4 / 3	4 / 3			4 / 3			4 / 3			3+ / 2		$10,000
Living Area		2,105 SF	2,105	$75 psf		2,105	$75 psf		2,102	$75 psf	$225	2,080	$75 psf	$1,875
Stories	$15,000	1 STY	1 STY			1 STY			1 STY			1 STY		
Functional Utility		Average	Similar			Similar			Similar			Similar		
Heating		Central/Forced	Similar			Similar			Similar			Similar		
Garage	$10,000	2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type		Attached	Similar			Similar			Similar			Similar		
Landscaping		Front Yard	Similar			Similar			Similar			Similar		
Patios/Decks		Front	Front			Front			Front			Front		
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances		DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options		N/A	Superior	-10.0%	($60,650)	Superior	-12.5%	($77,770)	Superior	-5.0%	($29,238)	Similar		
Solar		None	None			None			None			None		
Other		N/A	Similar			Similar			Similar			Similar		
Net Adjustments			-10.7%		($65,650)	-11.6%		($71,610)	-5.3%		($30,763)	2.2%		$11,477
Gross Adjustments			10.7%		$65,650	13.6%		$83,930	10.4%		$59,738	12.1%		$62,617
Adjusted Base Value:					$545,850			$544,390			$544,737			$530,477

Unadjusted Range: $519,000 to $616,000
Adjusted Range: $530,477 to $545,850
Concluded Value: $540,000

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ADJUSTMENT GRID – AVERY PLAN 2

Item		Subject Property	Comparable No. 1-C			Comparable No. 1-D			Comparable No. 2-B			Comparable No. 3-B		
Project		Avery	Avery			Avery			Ladera View			Montera		
Builder		Discovery Homes	Discovery Homes			Discovery Homes			Discovery Homes			Richmond American		
Master Plan		The Villages (Village 1)	The Villages (Village 1)			The Villages (Village 1)			The Villages (Village 4)			Vanden Estates		
New or Resale		New	New			New			New			New		
Address		Base Plan	Lot 43			Lot 58			2260 Hancock Drive			921 Verissmo Ct		
Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Vacaville (TUSD)		
Proximity to Subject		N/A	Subject Project			Subject Project			< 1.0 Miles NE			< 4.0 Miles NE		
Data Source		Builder	Builder & Public Records			Builder & Public Records			MLS			Website		
Price		$555,000			$585,000			$580,000			$590,000			$544,950
Price/SF Living Area		$213 psf			$225 psf			$223 psf			$220 psf			$207 psf
Adjustments														
Concessions			Yes - CC		($5,000)	Yes - CC		($5,000)	None			Yes		($16,349)
Effective Price					$580,000			$575,000			$590,000			$528,602
Property Rights		Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms		Market	Similar			Similar			Similar			Similar		
Sale Conditions		Market	Similar			Similar			Inventory	2.5%	$14,750	New/No Models	5.0%	$26,430
Market Conditions	0.25%	Current	2/19 COE			1/19 COE			3/19 COE			Current		
			9/18 Contract	1.8%	$10,150	12/18 Contract	1.0%	$5,750	2/19 Contract					
Interim Adj. Value					$590,150			$580,750			$604,750			$555,032
Project Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Vacaville (TUSD)		
Effective Tax		Average	Similar			Similar			Superior		($2,500)	Superior		($10,000)
HOA/month		-	Similar			Similar			Similar			Similar		
Community Appeal		Average	Similar			Similar			Similar			Similar		
Density, (if attached)		N/A	N/A			N/A			N/A			N/A		
Lot Size SF		5,000	6,414	$8 psf	($11,312)	5,972	$8 psf	($7,776)	8,628	$5 psf	($18,140)	5,000	$8 psf	
View		None	Similar			Similar			Similar			Similar		
Site Influence		Interior	Similar			Similar			Similar			Similar		
Type (Attached/Detached)		Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features		Average	Similar			Similar			Similar			Similar		
Year Built		2019	2019			2019			2019			2019		
Effective Age	0.50%	0	0	0.0%		0	0.0%		0	0.0%		0	0.0%	
Condition		New/Good	New			New			New			New		
Room Count Bdrm	$0	Bdrm / Bth	Bdrm / Bth			Bdrm / Bth			Bdrm / Bth			Bdrm / Bth		
Bath	$10,000	4 / 3	4 / 3			4 / 3			4 / 3			4+ / 2.5		$5,000
Living Area		2,602 SF	2,602	$75 psf		2,602	$75 psf		2,679	$75 psf	($5,775)	2,630	$75 psf	($2,100)
Stories	$15,000	2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility		Average	Similar			Similar			Similar			Similar		
Heating		Central/Forced	Similar			Similar			Similar			Similar		
Garage	$10,000	2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type		Attached	Similar			Similar			Similar			Similar		
Landscaping		Front Yard	Similar			Similar			Similar			Similar		
Patios/Decks		Front	Front			Front			Front			Front		
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances		DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options		N/A	Superior	-2.5%	($14,754)	Superior	-5.0%	($29,038)	Superior	-5.0%	($30,238)	Similar		
Solar		None	None			None			None			None		
Other		N/A	Similar			Similar			Similar			Similar		
Net Adjustments			-3.6%		($20,916)	-6.2%		($36,064)	-7.1%		($41,903)	0.5%		$2,982
Gross Adjustments			7.0%		$41,216	8.2%		$47,564	12.1%		$71,403	11.0%		$59,879
Adjusted Base Value:					$564,084			$543,937			$548,098			$547,932

Unadjusted Range: $544,950 to $590,000
Adjusted Range: $543,937 to $564,084
Concluded Value: $560,000

ADJUSTMENT GRID – AVERY PLAN 3

Item		Subject Property	Comparable No. 1-E			Comparable No. 1-F			Comparable No. 2-B			Comparable No. 3-C		
Project		Avery	Avery			Avery			Ladera View			Montera		
Builder		Discovery Homes	Discovery Homes			Discovery Homes			Discovery Homes			Richmond American		
Master Plan		The Villages (Village 1)	The Villages (Village 1)			The Villages (Village 1)			The Villages (Village 4)			Vanden Estates		
New or Resale		New	New			New			New			New		
Address		Base Plan	Lot 47			Lot 44			2260 Hancock Drive			921 Verissmo Ct		
Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Vacaville (TUSD)		
Proximity to Subject		N/A	Subject Project			Subject Project			< 1.0 Miles NE			< 4.0 Miles NE		
Data Source		Builder	Builder & Public Records			Builder & Public Records			MLS			MLS		
Price		$590,000			$655,000			$588,500			$590,000			$559,950
Price/SF Living Area		$208 psf			$231 psf			$207 psf			$220 psf			$199 psf
Adjustments														
Concessions			Yes - CC		($5,000)	Yes - CC		($5,000)	None			Yes		($16,799)
Effective Price					$650,000			$583,500			$590,000			$543,152
Property Rights		Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms		Market	Similar			Similar			Similar			Similar		
Sale Conditions		Market	Similar			Similar			Inventory	2.5%	$14,750	New/No Models	5.0%	$27,158
Market Conditions	0.25%	Current	3/19 COE			2/19 COE			3/19 COE			Current		
			12/18 Contract	1.0%	$6,500	10/18 Contract	1.5%	$8,753	2/19 Contract					
Interim Adj. Value					$656,500			$592,253			$604,750			$570,309
Project Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Vacaville (TUSD)		
Effective Tax		Average	Similar			Similar			Superior		($2,500)	Superior		($10,000)
HOA/month		-	Similar			Similar			Similar			Similar		
Community Appeal		Average	Similar			Similar			Similar			Similar		
Density, (if attached)		N/A	N/A			N/A			N/A			N/A		
Lot Size SF		5,000	5,000	$8 psf		5,000	$8 psf		8,628	$5 psf	($18,140)	5,000	$8 psf	
View		None	Similar			Similar			Similar			Similar		
Site Influence		Interior	Similar			Similar			Similar			Similar		
Type (Attached/Detached)		Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features		Average	Similar			Similar			Similar			Similar		
Year Built		2019	2019			2019			2019			2019		
Effective Age	0.50%	0	0	0.0%		0	0.0%		0	0.0%		0	0.0%	
Condition		New/Good	New			New			New			New		
Room Count Bdrm	$0	Bdrm / Bth	Bdrm / Bth			Bdrm / Bth			Bdrm / Bth			Bdrm / Bth		
Bath	$10,000	5 / 3	4 / 3			4 / 3			4 / 3			4+ / 2.5		$5,000
Living Area		2,841 SF	2,841	$75 psf		2,841	$75 psf		2,679	$75 psf	$12,150	2,810	$75 psf	$2,325
Stories	$15,000	2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility		Average	Similar			Similar			Similar			Similar		
Heating		Central/Forced	Similar			Similar			Similar			Similar		
Garage	$10,000	2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type		Attached	Similar			Similar			Similar			Similar		
Landscaping		Front Yard	Similar			Similar			Similar			Similar		
Patios/Decks		Front	Front			Front			Front			Front		
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances		DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options		N/A	Superior	-10.0%	($65,650)	Similar	-2.5%	($14,806)	Superior	-5.0%	($30,238)	Similar		
Solar		None	None			None			None			None		
Other		N/A	Similar			Similar			Similar			Similar		
Net Adjustments			-9.8%		($64,150)	-1.9%		($11,054)	-4.1%		($23,978)	1.4%		$7,684
Gross Adjustments			11.8%		$77,150	4.9%		$28,559	13.2%		$77,778	10.9%		$61,281
Adjusted Base Value:					$590,850			$577,446			$566,023			$567,634

Unadjusted Range: $559,950 to $655,000
Adjusted Range: $566,023 to $590,850
Concluded Value: $570,000

ADJUSTMENT GRID – AVERY PLAN 4

Item		Subject Property	Comparable No. 1-G			Comparable No. 1-H			Comparable No. 2-C			Comparable No. 3-D		
Project		Avery	Avery			Avery			Ladera View			Montera		
Builder		Discovery Homes	Discovery Homes			Discovery Homes			Discovery Homes			Richmond American		
Master Plan		The Villages (Village 1)	The Villages (Village 1)			The Villages (Village 1)			The Villages (Village 4)			Vanden Estates		
New or Resale		New	New			New			New			New		
Address		Base Plan	Lot 36			Lot 45			1928 Clyde Jean Place			921 Verissmo Ct		
Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Vacaville (TUSD)		
Proximity to Subject		N/A	Subject Project			Subject Project			< 1.0 Miles NE			< 4.0 Miles NE		
Data Source		Builder	Builder & Public Records			Builder & Public Records			MLS			Website		
Price		$599,000			$595,000			$601,000			$649,000			$569,950
Price/SF Living Area		$193 psf			$192 psf			$193 psf			$184 psf			$191 psf
Adjustments														
Concessions			Yes		($1,250)	Yes		($10,000)	Yes		($17,000)	Yes		($17,099)
Effective Price					$593,750			$591,000			$632,000			$552,852
Property Rights		Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms		Market	Similar			Similar			Similar			Similar		
Sale Conditions		Market	Inventory	2.5%	$14,844	Similar			Inventory	2.5%	$15,800	New/No Models	5.0%	$27,643
Market Conditions	0.25%	Current	3/19 COE			3/19 COE			2/19 COE			Current		
			2/19 Contract			11/18 Contract	1.25%	$7,388	12/18 Contract	1.0%	$6,320			
Interim Adj. Value					$608,594			$598,388			$654,120			$580,494
Project Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Vacaville (TUSD)		
Effective Tax		Average	Similar			Similar			Superior		($2,500)	Superior		($10,000)
HOA/month		-	Similar			Similar			Similar			Similar		
Community Appeal		Average	Similar			Similar			Similar			Similar		
Density, (if attached)		N/A	N/A			N/A			N/A			N/A		
Lot Size SF		5,000	5,000	$8 psf		5,000	$8 psf		5,849	$8 psf	($6,792)	5,000	$8 psf	
View		None	Similar			Similar			Similar			Similar		
Site Influence		Interior	Similar			Similar			Similar			Similar		
Type (Attached/Detached)		Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features		Average	Similar			Similar			Similar			Similar		
Year Built		2019	2019			2019			2019			2019		
Effective Age	0.50%	0	0	0.0%		0	0.0%		0	0.0%		0	0.0%	
Condition		New/Good	New			New			New			New		
Room Count Bdrm	$0	Bdrm / Bth	Bdrm / Bth			Bdrm / Bth			Bdrm / Bth			Bdrm / Bth		
Bath	$10,000	5 / 3	5 / 3			4 / 3			5 / 4.5		($15,000)	4+ / 2.5		$5,000
Living Area		3,106 SF	3,106	$75 psf		3,106	$75 psf		3,524	$55 psf	($22,990)	2,980	$75 psf	$9,450
Stories	$15,000	2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility		Average	Similar			Similar			Similar			Similar		
Heating		Central/Forced	Similar			Similar			Similar			Similar		
Garage	$10,000	2 Full	2 Full			2 Full			3 Tandem		($5,000)	2 Full		
Garage Type		Attached	Similar			Similar			Similar			Similar		
Landscaping		Front Yard	Similar			Similar			Similar			Similar		
Patios/Decks		Front	Front			Front			Front			Front		
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances		DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options		N/A	Superior	-5.0%	($30,430)	Similar	-2.5%	($14,960)	Superior	-5.0%	($32,706)	Similar		
Solar		None	None			None			None			None		
Other		N/A	Similar			Similar			Similar			Similar		
Net Adjustments			-2.8%		($16,836)	-2.9%		($17,572)	-12.3%		($79,868)	2.6%		$14,994
Gross Adjustments			7.8%		$46,523	5.4%		$32,347	19.1%		$124,108	12.1%		$69,191
Adjusted Base Value:					$578,164			$583,428			$569,132			$584,944

Unadjusted Range: $569,950 to $649,000
Adjusted Range: $569,132 to $584,944
Concluded Value: $580,000

ADJUSTMENT GRID – LARKSPUR PLAN 1

Item		Subject Property	Comparable No. 4-A			Comparable No. 5-A			Comparable No. 6			Comparable No. 7		
Project		Larkspur	Larkspur			Lantana			Brookline					
Builder		Richmond American	Richmond American			Tri Pointe			Meritage					
Master Plan		The Villages (Village 1)	The Villages (Village 1)			The Villages (Village 1)			Goldridge			Madison Park		
New or Resale		New	New			New			New			Resale		
Address		Base Plan	Base Asking			Lot 25			Base Asking			5318 Gramercy Circle		
Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Fairfield (TUSD)		
Proximity to Subject		N/A	Subject Project			Subject Project			< 1.0 Miles NE			< 1.0 Miles NE		
Data Source		Builder	Sales Office			Builder & Public Records			Website			MLS		
Price		$494,950			$494,950			$482,500			$499,950			$470,000
Price/SF Living Area		$237 psf			$237 psf			$235 psf			$226 psf			$241 psf
Adjustments														
Concessions			Yes		($14,849)	None			Yes		($12,500)	None		
Effective Price					$480,102			$482,500			$487,450			$470,000
Property Rights		Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms		Market	Similar			Similar			Similar			Similar		
Sale Conditions		Market	Similar			Similar			Similar			Similar		
Market Conditions	0.25%	Current	Current			4/19 COE			Current			12/18 COE	1.0%	$4,700
						11/18 Cont (asmd)	1.25%	$6,031						
Interim Adj. Value					$480,102			$488,531			$487,450			$474,700
Project Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Fairfield (TUSD)		
Effective Tax		Average	Similar			Similar			Superior		($10,000)	Superior		($10,000)
HOA/month		-	Similar			Similar			Similar			Minor - No adj.		
Community Appeal		Average	Similar			Similar			Inferior Mrkt. Wndw		$10,000	Inferior-Water Trt. Plant		$10,000
Density, (if attached)		N/A	N/A			N/A			N/A			N/A		
Lot Size SF		3,500	3,500	$20 psf		3,465	$15 psf	$525	3,250	$15 psf	$3,750	3,485	$20 psf	$300
View		None	Similar			Similar			Similar			Similar		
Site Influence		Interior	Similar			Similar			Similar			Similar		
Type (Attached/Detached)		Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features		Average	Similar			Similar			Similar			Sl. Superior		($5,000)
Year Built		2019	2019			2019			2019			2016		
Effective Age	0.50%	0	0	0.0%		0	0.0%		0	0.0%		2	1.0%	$4,700
Condition		New/Good	New			New			New			Used	2.5%	$11,868
Room Count Bdrm	$0	Bdrm Bth	Bdrm Bth			Bdrm Bth			Bdrm Bth			Bdrm Bth		
Bath	$10,000	3+ 2.5	3+ 2.5			3+ 2.5			4 3		($5,000)	3 2.5		
Living Area		2,090 SF	2,090	$75 psf		2,057	$75 psf	$2,475	2,216	$75 psf	($9,450)	1,950	$75 psf	$10,500
Stories	$15,000	2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility		Average	Similar			Similar			Similar			Similar		
Heating		Central/Forced	Similar			Similar			Similar			Similar		
Garage	$10,000	2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type		Attached	Similar			Similar			Similar			Similar		
Landscaping		Front Yard	Similar			Similar			Similar			Superior		($7,500)
Patios/Decks		Front and back	Front and back			Front		$10,000	Front		$10,000	Front		$10,000
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances		DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options		N/A	Similar			Superior	-5.0%	($24,427)	Similar			Superior	-5.0%	($23,735)
Solar		None	None			None			None			None		
Other		N/A	Similar			Similar			Similar			Similar		
Net Adjustments			-3.0%		($14,849)	-1.1%		($5,395)	-2.6%		($13,200)	1.2%		$5,833
Gross Adjustments			3.0%		$14,849	9.0%		$43,458	12.1%		$60,700	20.9%		$98,303
Adjusted Base Value:					$480,102			$477,105			$486,750			$475,833

Unadjusted Range:	$470,000 to $499,950
Adjusted Range:	$475,833 to $486,750
Concluded Value:	**$475,000**

ADJUSTMENT GRID – LARKSPUR PLAN 2

Item		Subject Property	Comparable No. 4-B			Comparable No. 5-A			Comparable No. 6			Comparable No. 7		
Project		Larkspur	Larkspur			Lantana			Brookline					
Builder		Richmond American	Richmond American			Tri Pointe			Meritage					
Master Plan		The Villages (Village 1)	The Villages (Village 1)			The Villages (Village 1)			Goldridge			Madison Park		
New or Resale		New	New			New			New			Resale		
Address		Base Plan	Base Asking			Lot 25			Base Asking			5318 Gramercy Circle		
Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Fairfield (TUSD)		
Proximity to Subject		N/A	Subject Project			Subject Project			< 1.0 Miles NE			< 1.0 Miles NE		
Data Source		Builder	Sales Office			Builder & Public Records			Website			MLS		
Price		$492,950			$492,950			$482,500			$499,950			$470,000
Price/SF Living Area		$235 psf			$235 psf			$235 psf			$226 psf			$241 psf
Adjustments														
Concessions			Yes		($14,789)	None			Yes		($12,500)	None		
Effective Price					$478,162			$482,500			$487,450			$470,000
Property Rights		Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms		Market	Similar			Similar			Similar			Similar		
Sale Conditions		Market	Similar			Similar			Similar			Similar		
Market Conditions	0.25%	Current	Current			4/19 COE			Current			12/18 COE	1.0%	$4,700
						11/18 Cont (asmd)	1.25%	$6,031						
Interim Adj. Value					$478,162			$488,531			$487,450			$474,700
Project Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Fairfield (TUSD)		
Effective Tax		Average	Similar			Similar			Superior		($10,000)	Superior		($10,000)
HOA/month		-	Similar			Similar			Similar			Minor - No adj.		
Community Appeal		Average	Similar			Similar			Inferior Mrkt. Wndw		$10,000	Inferior-Water Trt. Plant		$10,000
Density, (if attached)		N/A	N/A			N/A			N/A			N/A		
Lot Size SF		3,500	3,500	$20 psf		3,465	$15 psf	$525	3,250	$15 psf	$3,750	3,485	$20 psf	$300
View		None	Similar			Similar			Similar			Similar		
Site Influence		Interior	Similar			Similar			Similar			Similar		
Type (Attached/Detached)		Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features		Average	Similar			Similar			Similar			Sl. Superior		($5,000)
Year Built		2019	2019			2019			2019			2016		
Effective Age	0.50%	0	0	0.0%		0	0.0%		0	0.0%		2	1.0%	$4,700
Condition		New/Good	New			New			New			Used	2.5%	$11,868
Room Count Bdrm	$0	Bdrm / Bth	Bdrm / Bth			Bdrm / Bth			Bdrm / Bth			Bdrm / Bth		
Bath	$10,000	3+ / 2.5	3+ / 2.5			3+ / 2.5			4 / 3		($5,000)	3 / 2.5		
Living Area		2,100 SF	2,100	$75 psf		2,057	$75 psf	$3,225	2,216	$75 psf	($8,700)	1,950	$75 psf	$11,250
Stories	$15,000	2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility		Average	Similar			Similar			Similar			Similar		
Heating		Central/Forced	Similar			Similar			Similar			Similar		
Garage	$10,000	2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type		Attached	Similar			Similar			Similar			Similar		
Landscaping		Front Yard	Similar			Similar			Similar			Superior		($7,500)
Patios/Decks		Front	Front			Front			Front			Front		
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances		DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options		N/A	Similar			Superior	-5.0%	($24,427)	Similar			Superior	-5.0%	($23,735)
Solar		None	None			None			None			None		
Other		N/A	Similar			Similar			Similar			Similar		
Net Adjustments			-3.0%		($14,789)	-3.0%		($14,645)	-4.5%		($22,450)	-0.7%		($3,418)
Gross Adjustments			3.0%		$14,789	7.1%		$34,208	10.0%		$49,950	18.9%		$89,053
Adjusted Base Value:					$478,162			$467,855			$477,500			$466,583

Unadjusted Range: $470,000 to $499,950
Adjusted Range: $466,583 to $478,162
Concluded Value: $475,000

ADJUSTMENT GRID – LARKSPUR PLAN 3

Item		Subject Property	Comparable No. 4-C		Comparable No. 5-A		Comparable No. 6		Comparable No. 7	
Project		Larkspur	Larkspur		Lantana		Brookline			
Builder		Richmond American	Richmond American		Tri Pointe		Meritage			
Master Plan		The Villages (Village 1)	The Villages (Village 1)		The Villages (Village 1)		Goldridge		Madison Park	
New or Resale		New	New		New		New		Resale	
Address		Base Plan	Base Asking		Lot 25		Base Asking		5311 Gramercy Circle	
Location		Fairfield	Fairfield		Fairfield		Fairfield (TUSD)		Fairfield (TUSD)	
Proximity to Subject		N/A	Subject Project		Subject Project		< 1.0 Miles NE		< 1.0 Miles NE	
Data Source		Builder	Sales Office		Builder & Public Records		Website		MLS	
Price		$499,950		$499,950		$482,500		$499,950		$523,000
Price/SF Living Area		$228 psf		$228 psf		$235 psf		$226 psf		$238 psf
Adjustments										
Concessions			Yes	($14,999)	None		Yes	($12,500)	None	
Effective Price				$484,952		$482,500		$487,450		$523,000
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Market	Similar		Similar		Similar		Similar	
Sale Conditions		Market	Similar		Similar		Similar		Similar	
Market Conditions	0.25%	Current	Current		4/19 COE		Current		1/19 COE	
					11/18 Cont (asmd) 1.25%	$6,031				
Interim Adj. Value				$484,952		$488,531		$487,450		$523,000
Project Location		Fairfield	Fairfield		Fairfield		Fairfield (TUSD)		Fairfield (TUSD)	
Effective Tax		Average	Similar		Similar		Superior	($10,000)	Superior	($10,000)
HOA/month		-	Similar		Similar		Similar		Minor - No adj.	
Community Appeal		Average	Similar		Similar		Inferior Mrkt. Wndw	$10,000	Inferior-Water Trt. Plant	$10,000
Density, (if attached)		N/A	N/A		N/A		N/A		N/A	
Lot Size SF		3,500	3,500 $20 psf		3,465 $15 psf	$525	3,250 $15 psf	$3,750	3,916 $20 psf	($8,320)
View		None	Similar		Similar		Similar		Similar	
Site Influence		Interior	Similar		Similar		Similar		Sl. Superior	($2,500)
Type (Attached/Detached)		Traditional	Similar		Similar		Similar		Similar	
Design, Appeal & Features		Average	Similar		Similar		Similar		Sl. Superior	($5,000)
Year Built		2019	2019		2019		2019		2016	
Effective Age	0.50%	0	0 0.0%		0 0.0%		0 0.0%		2 1.0%	$5,230
Condition		New/Good	New		New		New		Used 2.5%	$13,075
Room Count Bdrm	$0	Bdrm / Bth	Bdrm / Bth		Bdrm / Bth		Bdrm / Bth		Bdrm / Bth	
Bath	$10,000	3+ / 2.5	3+ / 2.5		3+ / 2.5		4 / 3	($5,000)	4 / 3.5	($10,000)
Living Area		2,190 SF	2,190 $75 psf		2,057 $75 psf	$9,975	2,216 $75 psf	($1,950)	2,195 $75 psf	($375)
Stories	$15,000	2 STY	2 STY		2 STY		2 STY		2 STY	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Heating		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Full	2 Full		2 Full		2 Full		2 Full	
Garage Type		Attached	Similar		Similar		Similar		Similar	
Landscaping		Front Yard	Similar		Similar		Similar		Superior	($2,500)
Patios/Decks		Front	Front		Front		Front		Front	
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)		0 Fireplace(s)		0 Fireplace(s)		0 Fireplace(s)	
Appliances		DW, R/O, Disposal	Similar		Similar		Similar		Similar	
Upgrades/Options		N/A	Similar		Superior -5.0%	($24,427)	Similar		Superior -2.5%	($13,075)
Solar		None	None		None		None		Owned	($15,000)
Other		N/A	Similar		Similar		Similar		Similar	
Net Adjustments			-3.0%	($14,999)	-1.6%	($7,895)	-3.1%	($15,700)	-7.4%	($38,465)
Gross Adjustments			3.0%	$14,999	8.5%	$40,958	8.6%	$43,200	18.2%	$95,075
Adjusted Base Value:				$484,952		$474,605		$484,250		$484,535

Unadjusted Range:	$482,500 to $523,000
Adjusted Range:	$474,605 to $484,952
Concluded Value:	**$485,000**

ADJUSTMENT GRID – LARKSPUR PLAN 4

Item		Subject Property	Comparable No. 4-D			Comparable No. 5-A			Comparable No. 6			Comparable No. 8		
Project		Larkspur	Larkspur			Lantana			Brookline					
Builder		Richmond American	Richmond American			Tri Pointe			Meritage					
Master Plan		The Villages (Village 1)	The Villages (Village 1)			The Villages (Village 1)			Goldridge			Madison Park		
New or Resale		New	New			New			New			Resale		
Address		Base Plan	Base Asking			Lot 25			Base Asking			5311 Gramercy Circle		
Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Fairfield (TUSD)		
Proximity to Subject		N/A	Subject Project			Subject Project			< 1.0 Miles NE			< 1.0 Miles NE		
Data Source		Builder	Sales Office			Builder & Public Records			Website			MLS		
Price		$510,950			$510,950			$482,500			$499,950			$523,000
Price/SF Living Area		$227 psf			$227 psf			$235 psf			$226 psf			$238 psf
Adjustments														
Concessions			Yes		($15,329)	None			Yes		($12,500)	None		
Effective Price					$495,622			$482,500			$487,450			$523,000
Property Rights		Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms		Market	Similar			Similar			Similar			Similar		
Sale Conditions		Market	Similar			Similar			Similar			Similar		
Market Conditions	0.25%	Current	Current			4/19 COE			Current			1/19 COE		
						11/18 Cont (asmd)	1.25%	$6,031						
Interim Adj. Value					$495,622			$488,531			$487,450			$523,000
Project Location		Fairfield	Fairfield			Fairfield			Fairfield (TUSD)			Fairfield (TUSD)		
Effective Tax		Average	Similar			Similar			Superior		($10,000)	Superior		($10,000)
HOA/month		-	Similar			Similar			Similar			Minor - No adj.		
Community Appeal		Average	Similar			Similar			Inferior Mrkt. Wndw		$10,000	Inferior-Water Trt. Plant		$10,000
Density, (if attached)		N/A	N/A			N/A			N/A			N/A		
Lot Size SF		3,500	3,500	$20 psf		3,465	$15 psf	$525	3,250	$15 psf	$3,750	3,916	$20 psf	($8,320)
View		None	Similar			Similar			Similar			Similar		
Site Influence		Interior	Similar			Similar			Similar			Sl. Superior		($2,500)
Type (Attached/Detached)		Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features		Average	Similar			Similar			Similar			Sl. Superior		($5,000)
Year Built		2019	2019			2019			2019			2016		
Effective Age	0.50%	0	0	0.0%		0	0.0%		0	0.0%		2	1.0%	$5,230
Condition		New/Good	New			New			New			Used	2.5%	$13,075
Room Count Bdrm	$0	Bdrm / Bth	Bdrm	Bth		Bdrm	Bth		Bdrm	Bth		Bdrm	Bth	
Bath	$10,000	3+ / 2.5	3+	2.5		3+	2.5		4	3	($5,000)	4	3.5	($10,000)
Living Area		2,250 SF	2,250	$75 psf		2,057	$75 psf	$14,475	2,216	$75 psf	$2,550	2,195	$75 psf	$4,125
Stories	$15,000	2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility		Average	Similar			Similar			Similar			Similar		
Heating		Central/Forced	Similar			Similar			Similar			Similar		
Garage	$10,000	2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type		Attached	Similar			Similar			Similar			Similar		
Landscaping		Front Yard	Similar			Similar			Similar			Superior		($2,500)
Patios/Decks		Front	Front			Front			Front			Front		
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances		DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options		N/A	Similar			Superior	-5.0%	($24,427)	Similar			Superior	-2.5%	($13,075)
Solar		None	None			None			None			Owned		($15,000)
Other		N/A	Similar			Similar			Similar			Similar		
Net Adjustments			-3.0%		($15,329)	-0.7%		($3,395)	-2.2%		($11,200)	-6.5%		($33,965)
Gross Adjustments			3.0%		$15,329	9.4%		$45,458	8.8%		$43,800	18.9%		$98,825
Adjusted Base Value:					$495,622			$479,105			$488,750			$489,035

Unadjusted Range: $482,500 to $523,000
Adjusted Range: $479,105 to $495,622
Concluded Value: $490,000

ADJUSTMENT GRID – LANTANA PLAN 1

Item		Subject Property	Comparable No. 5-A		Comparable No. 5-B		Comparable No. 4-B		Comparable No. 6	
Project		Lantana	Lantana		Lantana		Larkspur		Brookline	
Builder		Tri Pointe	Tri Pointe		Tri Pointe		Richmond American		Meritage	
Master Plan		The Villages (Village 1)	The Villages (Village 1)		The Villages (Village 1)		The Villages (Village 1)		Goldridge	
New or Resale		New	New		New		New		New	
Address		Base Plan	Lot 25		Lot 21		Base Asking		Base Asking	
Location		Fairfield	Fairfield		Fairfield		Fairfield		Fairfield (TUSD)	
Proximity to Subject		N/A	Subject Project		Subject Project		Subject Project		< 1.0 Miles NE	
Data Source		Builder	Builder & Public Records		Builder & Public Records		Builder & Public Records		Website	
Price		$471,900		$482,500		$493,000		$492,950		$499,950
Price/SF Living Area		$260 psf		$235 psf		$240 psf		$235 psf		$226 psf
Adjustments										
Concessions			None		Yes	($13,000)	Yes	($14,789)	Yes	($12,500)
Effective Price				$482,500		$480,000		$478,162		$487,450
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Market	Similar		Similar		Similar		Similar	
Sale Conditions		Market	Similar		Similar		Similar		Similar	
Market Conditions	0.25%	Current	4/19 COE		4/19 COE		Current		Current	
			11/18 Cont (asmd) 1.25%	$6,031	11/18 Cont (asmd) 1.25%	$6,000				
Interim Adj. Value				$488,531		$486,000		$478,162		$487,450
Project Location		Fairfield	Fairfield		Fairfield		Fairfield		Fairfield (TUSD)	
Effective Tax		Average	Similar		Similar		Similar		Superior	($10,000)
HOA/month		-	Similar		Similar		Similar		Similar	
Community Appeal		Average	Similar		Similar		Similar		Inferior Mrkt. Wndw	$10,000
Density, (if attached)		N/A	N/A		N/A		N/A		N/A	
Lot Size SF		3,375	3,465 $15 psf	($1,350)	3,465 $15 psf	($1,350)	3,500 $15 psf	($1,875)	3,250 $15 psf	$1,875
View		None	Similar		Similar		Similar		Similar	
Site Influence		Interior	Similar		Similar		Similar		Similar	
Type (Attached/Detached)		Traditional	Similar		Similar		Similar		Similar	
Design, Appeal & Features		Average	Similar		Similar		Similar		Similar	
Year Built		2019	2019		2019		2019		2019	
Effective Age	0.50%	0	0 0.0%		0 0.0%		0 0.0%		0 0.0%	
Condition		New/Good	New		New		New		New	
Room Count Bdrm	$0	Bdrm / Bth	Bdrm / Bth		Bdrm / Bth		Bdrm / Bth		Bdrm / Bth	
Bath	$10,000	3 / 2.5	3+ / 2.5		3+ / 2.5		3 / 2.5		4 / 3	($5,000)
Living Area		1,817 SF	2,057 $75 psf	($18,000)	2,057 $75 psf	($18,000)	2,100 $85 psf	($24,055)	2,216 $75 psf	($29,925)
Stories	$15,000	2 STY	2 STY		2 STY		2 STY		2 STY	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Heating		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Full	2 Full		2 Full		2 Full		2 Full	
Garage Type		Attached	Similar		Similar		Similar		Similar	
Landscaping		Front Yard	Similar		Similar		Similar		Similar	
Patios/Decks		Front	Front		Front		Front		Front	
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)		0 Fireplace(s)		0 Fireplace(s)		0 Fireplace(s)	
Appliances		DW, R/O, Disposal	Similar		Similar		Similar		Similar	
Upgrades/Options		N/A	Superior -5.0%	($24,427)	Superior -5.0%	($24,300)	Similar		Similar	
Solar		None	None		None		None		None	
Other		N/A	Similar		Similar		Similar		Similar	
Net Adjustments			-7.8%	($37,745)	-10.3%	($50,650)	-8.3%	($40,719)	-9.1%	($45,550)
Gross Adjustments			10.3%	$49,808	12.7%	$62,650	8.3%	$40,719	13.9%	$69,300
Adjusted Base Value:				$444,755		$442,350		$452,232		$454,400

Unadjusted Range: $482,500 to $499,950
Adjusted Range: $442,350 to $454,400
Concluded Value: $450,000

ADJUSTMENT GRID – LANTANA PLAN 2

Item		Subject Property	Comparable No. 5-A		Comparable No. 5-B		Comparable No. 4-B		Comparable No. 6	
Project		Lantana	Lantana		Lantana		Larkspur		Brookline	
Builder		Tri Pointe	Tri Pointe		Tri Pointe		Richmond American		Meritage	
Master Plan		The Villages (Village 1)	The Villages (Village 1)		The Villages (Village 1)		The Villages (Village 1)		Goldridge	
New or Resale		New	New		New		New		New	
Address		Base Plan	Lot 25		Lot 21		Base Asking		Base Asking	
Location		Fairfield	Fairfield		Fairfield		Fairfield		Fairfield (TUSD)	
Proximity to Subject		N/A	Subject Project		Subject Project		Subject Project		< 1.0 Miles NE	
Data Source		Builder	Builder & Public Records		Builder & Public Records		Builder & Public Records		Website	
Price		$485,900		$482,500		$493,000		$492,950		$499,950
Price/SF Living Area		$236 psf		$235 psf		$240 psf		$235 psf		$226 psf
Adjustments										
Concessions			None		Yes	($13,000)	Yes	($14,789)	Yes	($12,500)
Effective Price				$482,500		$480,000		$478,162		$487,450
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Market	Similar		Similar		Similar		Similar	
Sale Conditions		Market	Similar		Similar		Similar		Similar	
Market Conditions	0.25%	Current	4/19 COE		4/19 COE		Current		Current	
			11/18 Cont (asmd) 1.25%	$6,031	11/18 Cont (asmd) 1.25%	$6,000				
Interim Adj. Value				$488,531		$486,000		$478,162		$487,450
Project Location		Fairfield	Fairfield		Fairfield		Fairfield		Fairfield (TUSD)	
Effective Tax		Average	Similar		Similar		Similar		Superior	($10,000)
HOA/month		-	Similar		Similar		Similar		Similar	
Community Appeal		Average	Similar		Similar		Similar		Inferior Mrkt. Wndw	$10,000
Density, (if attached)		N/A	N/A		N/A		N/A		N/A	
Lot Size SF		3,375	3,465 $15 psf	($1,350)	3,465 $15 psf	($1,350)	3,500 $15 psf	($1,875)	3,250 $15 psf	$1,875
View		None	Similar		Similar		Similar		Similar	
Site Influence		Interior	Similar		Similar		Similar		Similar	
Type (Attached/Detached)		Traditional	Similar		Similar		Similar		Similar	
Design, Appeal & Features		Average	Similar		Similar		Similar		Similar	
Year Built		2019	2019		2019		2019		2019	
Effective Age	0.50%	0	0 0.0%		0 0.0%		0 0.0%		0 0.0%	
Condition		New/Good	New		New		New		New	
Room Count Bdrm	$0	Bdrm Bth	Bdrm Bth		Bdrm Bth		Bdrm Bth		Bdrm Bth	
Bath	$10,000	3+ 2.5	3+ 2.5		3+ 2.5		3 2.5		4 3	($5,000)
Living Area		2,057 SF	2,057 $75 psf		2,057 $75 psf		2,100 $85 psf	($3,655)	2,216 $75 psf	($11,925)
Stories	$15,000	2 STY	2 STY		2 STY		2 STY		2 STY	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Heating		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Full	2 Full		2 Full		2 Full		2 Full	
Garage Type		Attached	Similar		Similar		Similar		Similar	
Landscaping		Front Yard	Similar		Similar		Similar		Similar	
Patios/Decks		Front	Front		Front		Front		Front	
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)		0 Fireplace(s)		0 Fireplace(s)		0 Fireplace(s)	
Appliances		DW, R/O, Disposal	Similar		Similar		Similar		Similar	
Upgrades/Options		N/A	Superior -5.0%	($24,427)	Superior -5.0%	($24,300)	Similar		Similar	
Solar		None	None		None		None		None	
Other		N/A	Similar		Similar		Similar		Similar	
Net Adjustments			-4.1%	($19,745)	-6.6%	($32,650)	-4.1%	($20,319)	-5.5%	($27,550)
Gross Adjustments			6.6%	$31,808	9.1%	$44,650	4.1%	$20,319	10.3%	$51,300
Adjusted Base Value:				$462,755		$460,350		$472,632		$472,400

Unadjusted Range:	$482,500 to $499,950
Adjusted Range:	$460,350 to $472,632
Concluded Value:	**$470,000**

ADJUSTMENT GRID – LANTANA PLAN 3

Item		Subject Property	Comparable No. 5-A			Comparable No. 5-C			Comparable No. 4-C			Comparable No. 6		
Project		Lantana	Lantana			Lantana			Larkspur			Brookline		
Builder		Tri Pointe	Tri Pointe			Tri Pointe			Richmond American			Meritage		
Master Plan		The Villages (Village 1)	The Villages (Village 1)			The Villages (Village 1)			The Villages (Village 1)			Goldridge		
New or Resale		New	New			New			New			New		
Address		Base Plan	Lot 25			Lot 24			Base Asking			Base Asking		
Location		Fairfield	Fairfield			Fairfield			Fairfield			Fairfield (TUSD)		
Proximity to Subject		N/A	Subject Project			Subject Project			Subject Project			< 1.0 Miles NE		
Data Source		Builder	Builder & Public Records			Builder & Public Records			Builder & Public Records			Website		
Price		$495,680			$482,500			$521,500			$499,950			$499,950
Price/SF Living Area		$220 psf			$235 psf			$215 psf			$228 psf			$226 psf
Adjustments														
Concessions			None			Yes		($5,000)	Yes		($14,999)	Yes		($12,500)
Effective Price					$482,500			$516,500			$484,952			$487,450
Property Rights		Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms		Market	Similar			Similar			Similar			Similar		
Sale Conditions		Market	Similar			Similar			Similar			Similar		
Market Conditions	0.25%	Current	4/19 COE			4/19 COE			Current			Current		
			11/18 Cont (asmd)	1.25%	$6,031	11/18 Cont (asmd)	1.25%	$6,456						
Interim Adj. Value					$488,531			$522,956			$484,952			$487,450
Project Location		Fairfield	Fairfield			Fairfield			Fairfield			Fairfield (TUSD)		
Effective Tax		Average	Similar			Similar			Similar			Superior		($10,000)
HOA/month		-	Similar			Similar			Similar			Similar		
Community Appeal		Average	Similar			Similar			Similar			Inferior Mrkt. Wndw		$10,000
Density, (if attached)		N/A	N/A			N/A			N/A			N/A		
Lot Size SF		3,375	3,465	$15 psf	($1,350)	3,465	$15 psf	($1,350)	3,500	$15 psf	($1,875)	3,250	$15 psf	$1,875
View		None	Similar			Similar			Similar			Similar		
Site Influence		Interior	Similar			Similar			Similar			Similar		
Type (Attached/Detached)		Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features		Average	Similar			Similar			Similar			Similar		
Year Built		2019	2019			2019			2019			2019		
Effective Age	0.50%	0	0	0.0%		0	0.0%		0	0.0%		0	0.0%	
Condition		New/Good	New			New			New			New		
Room Count Bdrm	$0	Bdrm / Bth	Bdrm / Bth			Bdrm / Bth			Bdrm / Bth			Bdrm / Bth		
Bath	$10,000	3+ / 2.5	3+ / 2.5			4+ / 3		($5,000)	3 / 2.5			4 / 3		($5,000)
Living Area		2,254 SF	2,057	$75 psf	$14,775	2,427	$75 psf	($12,975)	2,190	$85 psf	$5,440	2,216	$75 psf	$2,850
Stories	$15,000	2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility		Average	Similar			Similar			Similar			Similar		
Heating		Central/Forced	Similar			Similar			Similar			Similar		
Garage	$10,000	2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type		Attached	Similar			Similar			Similar			Similar		
Landscaping		Front Yard	Similar			Similar			Similar			Similar		
Patios/Decks		Front	Front			Front			Front			Front		
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances		DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options		N/A	Superior	-5.0%	($24,427)	Superior	-5.0%	($26,148)	Similar			Similar		
Solar		None	None			None			None			None		
Other		N/A	Similar			Similar			Similar			Similar		
Net Adjustments			-1.0%		($4,970)	-8.4%		($44,017)	-2.3%		($11,434)	-2.6%		($12,775)
Gross Adjustments			9.7%		$46,583	10.9%		$56,929	4.5%		$22,314	8.4%		$42,225
Adjusted Base Value:					$477,530			$477,483			$488,517			$487,175

Unadjusted Range: $482,500 to $521,500
Adjusted Range: $477,483 to $488,517
Concluded Value: $485,000

ADJUSTMENT GRID – LANTANA PLAN 4

Item		Subject Property	Comparable No. 2			Comparable No. 2			Comparable No. 4-D			Comparable No. 6		
Project		Lantana	Lantana			Lantana			Larkspur			Brookline		
Builder		Tri Pointe	Tri Pointe			Tri Pointe			Richmond American			Meritage		
Master Plan		The Villages (Village 1)	The Villages (Village 1)			The Villages (Village 1)			The Villages (Village 1)			Goldridge		
New or Resale		New	New			New			New			New		
Address		Base Plan	Lot 25			Lot 24			Base Asking			Base Asking		
Location		Fairfield	Fairfield			Fairfield			Fairfield			Fairfield (TUSD)		
Proximity to Subject		N/A	Subject Project			Subject Project			Subject Project			< 1.0 Miles NE		
Data Source		Builder	Builder & Public Records			Builder & Public Records			Builder & Public Records			Website		
Price		$516,900			$482,500			$521,500			$510,950			$514,950
Price/SF Living Area		$213 psf			$235 psf			$215 psf			$227 psf			$215 psf
Adjustments														
Concessions			None			Yes		($5,000)	Yes		($15,329)	Yes		($12,500)
Effective Price					$482,500			$516,500			$495,622			$502,450
Property Rights		Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms		Market	Similar			Similar			Similar			Similar		
Sale Conditions		Market	Similar			Similar			Similar			Similar		
Market Conditions	0.25%	Current	4/19 COE			4/19 COE			Current			Current		
			11/18 Cont (asmd)	1.25%	$6,031	11/18 Cont (asmd)	1.25%	$6,456						
Interim Adj. Value					$488,531			$522,956			$495,622			$502,450
Project Location		Fairfield	Fairfield			Fairfield			Fairfield			Fairfield (TUSD)		
Effective Tax		Average	Similar			Similar			Similar			Superior		($10,000)
HOA/month		-	Similar			Similar			Similar			Similar		
Community Appeal		Average	Similar			Similar			Similar			Inferior Mrkt. Wndw		$10,000
Density, (if attached)		N/A	N/A			N/A			N/A			N/A		
Lot Size SF		3,375	3,465	$15 psf	($1,350)	3,465	$15 psf	($1,350)	3,500	$15 psf	($1,875)	3,250	$15 psf	$1,875
View		None	Similar			Similar			Similar			Similar		
Site Influence		Interior	Similar			Similar			Similar			Similar		
Type (Attached/Detached)		Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features		Average	Similar			Similar			Similar			Similar		
Year Built		2019	2019			2019			2019			2019		
Effective Age	0.50%	0	0	0.0%		0	0.0%		0	0.0%		0	0.0%	
Condition		New/Good	New			New			New			New		
Room Count Bdrm	$0	Bdrm / Bth	Bdrm / Bth			Bdrm / Bth			Bdrm / Bth			Bdrm / Bth		
Bath	$10,000	4+ / 3	3+ / 2.5		$5,000	4+ / 3			3 / 2.5		$5,000	4 / 3		
Living Area		2,427 SF	2,057	$75 psf	$27,750	2,427	$75 psf		2,250	$85 psf	$15,045	2,395	$75 psf	$2,400
Stories	$15,000	2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility		Average	Similar			Similar			Similar			Similar		
Heating		Central/Forced	Similar			Similar			Similar			Similar		
Garage	$10,000	2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type		Attached	Similar			Similar			Similar			Similar		
Landscaping		Front Yard	Similar			Similar			Similar			Similar		
Patios/Decks		Front	Front			Front			Front			Front		
Fireplace(s)	$2,500	0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances		DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options		N/A	Superior	-5.0%	($24,427)	Superior	-5.0%	($26,148)	Similar			Similar		
Solar		None	None			None			None			None		
Other		N/A	Similar			Similar			Similar			Similar		
Net Adjustments			2.7%		$13,005	-5.0%		($26,042)	0.6%		$2,842	-1.6%		($8,225)
Gross Adjustments			13.4%		$64,558	7.5%		$38,954	7.3%		$37,249	7.1%		$36,775
Adjusted Base Value:					$495,505			$495,458			$513,792			$506,725

Unadjusted Range: $482,500 to $521,500
Adjusted Range: $495,458 to $513,792
Concluded Value: $500,000

RETAIL VALUE CONCLUSIONS – BASE PLANS

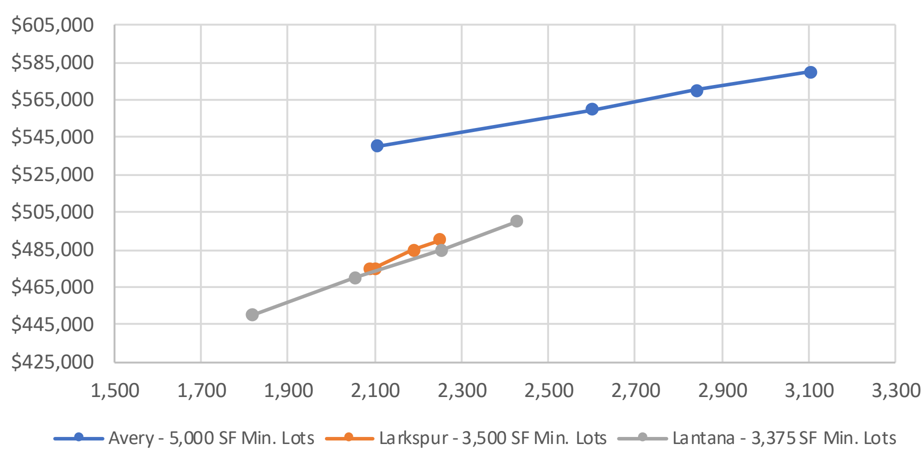
The estimated base value conclusions based on a current date of value are shown below.

BASE HOME VALUE CONCLUSIONS

Product Line	Plan	Living Area (SF)	Estimated Current Retail Value	Base List Price (1)	$ Difference	% Difference (Absolute)	Unit Mix
Unit 1 - Avery at The Villages	Plan 1	2,105	$540,000	$550,000	-$10,000	1.8%	23
Discovery Homes	Plan 2	2,602	$560,000	$555,000	$5,000	0.9%	20
	Plan 3	2,841	$570,000	$590,000	-$20,000	3.4%	23
	Plan 4	3,106	$580,000	$599,000	-$19,000	3.2%	21
	Weighted	2,655	$562,184	$573,552	-$11,368	2.0%	87
Unit 3 - Larkspur at The Villages	Plan 1	2,090	$475,000	$494,950	-$19,950	4.0%	18
Richmond American	Plan 2	2,100	$475,000	$492,950	-$17,950	3.6%	25
	Plan 3	2,190	$485,000	$499,950	-$14,950	3.0%	25
	Plan 4	2,250	$490,000	$510,950	-$20,950	4.1%	25
	Weighted	2,163	$481,720	$500,058	-$18,337	3.7%	93
Unit 4 - Lantana at The Villages	Plan 1	1,817	$450,000	$471,900	-$21,900	4.6%	20
Tri Pointe Homes	Plan 2	2,057	$470,000	$485,900	-$15,900	3.3%	33
	Plan 3	2,254	$485,000	$495,680	-$10,680	2.2%	40
	Plan 4	2,427	$500,000	$516,900	-$16,900	3.3%	40
	Weighted	2,191	$480,526	$496,059	-$15,533	3.1%	133

(1) Does not reflect incentives

BASE HOME VALUE CONCLUSIONS - CHARTED



Shown above, the concluded home values are below the project asking prices. The price differences are not reflected on a projected long-term trend; rather, as stated the 4th Quarter of 2018 was challenging for new home projects, which led to higher-than typical incentives (closing costs, free upgrades, etc.). Our home value estimates rely heavily on closing prices from the subject project, of which nearly all were sold during a challenging sales season. This fact, coupled with builders' reluctance to reduce prices as interest rates have decreased and sales have increased, have led to a temporary disconnect in value and asking prices. The estimated value and asking price differences are expected to narrow as 2019 continues to unfold amid a steadier pricing and sales environment. Moreover, despite market challenges, sales rates to date (around 4 per month per project) have out-paced most other suburban projects in the region for the same competitive time period.

AGGREGATE RETAIL VALUE OF 38 COMPLETED PRODUCTION HOMES

Using the base plan values, below we estimate the retail value of the 38 production homes that have transferred to individuals. As stated, the values do not account for upgrades and lot premiums. Therefore, the values represent not-less-than estimates.

AGGREGATE VALUE – 38 PRODUCTION HOMES

Plan	Living Area (SF)	Base Value	No. of Closed Homes	Total
Avery - Unit 1				
Plan 1	2,105	$540,000	8	$4,320,000
Plan 2	2,602	$560,000	3	$1,680,000
Plan 3	2,841	$570,000	6	$3,420,000
Plan 4	3,106	$580,000	3	$1,740,000
Larkspur - Unit 3				
Plan 1	2,090	$475,000	3	$1,425,000
Plan 2	2,100	$475,000	3	$1,425,000
Plan 3	2,190	$485,000	3	$1,455,000
Plan 4	2,250	$490,000	6	$2,940,000
Lantana - Unit 4				
Plan 1	1,817	$450,000	0	$0
Plan 2	2,057	$470,000	2	$940,000
Plan 3	2,254	$485,000	0	$0
Plan 4	2,427	$500,000	1	$500,000
			38	
			Aggregate Value:	**$19,845,000**

VALUE OF MODELS AND SUBSTANTIALLY COMPLETED HOMES IN BULK

Unlike completed/transferred homes where each home has a separate owner, Discovery Homes, Richmond American Homes and Tri Pointe Homes each own a large number of homes (model homes and Substantially Completed homes). Because market value is reported by ownership, the total value of homes owned by each builder needs to be discounted to arrive at a value in bulk.

The probable buyer of each group of homes in bulk is likely the same builder(s) that would acquire the remaining finished lots in each village. The builders would use its same subcontractors to complete the interior finishes (for Substantially Completed homes) and then sell the homes to individuals. Note, however, that the homes in bulk could be sold to an investor buyer to complete the interior finishes and then be sold, but those types of buyers are less common and it is less probable.

For the Substantially Completed homes, which are effectively 90%+ complete, we have deducted approximated finishing costs that represent approximately 10% of the estimated direct costs for the product line average, plus a $5,000 contingency factor.

The aggregate value is then discounted 12% the arrive at a bulk value. The discount factor includes 6% for costs of sales, 1% for taxes/miscellaneous and a 5% profit incentive.

VALUE OF HOMES IN BULK – DISCOVERY HOMES

Plan	Living Area (SF)	Base Value	Cost to Complete (inc. $5K contigency)	Net Value	No. of Homes	Total
					Substantially Completed	
Plan 1	2,105	$540,000	($26,000)	$514,000	0	$0
Plan 2	2,602	$560,000	($26,000)	$534,000	3	$1,602,000
Plan 3	2,841	$570,000	($26,000)	$544,000	0	$0
Plan 4	3,106	$580,000	($26,000)	$554,000	1	$554,000
					Completed Models	
Plan 1	2,105	$540,000	$0	$540,000	1	$540,000
Plan 2	2,602	$560,000	$0	$560,000	1	$560,000
Plan 3	2,841	$570,000	$0	$570,000	1	$570,000
Plan 4	3,106	$580,000	$0	$580,000	1	$580,000
					8	
					Aggregate Value	$4,406,000
					Discount at 12%	($528,720)
					Bulk Value of Homes owned by Discovery Homes	$3,877,280
					Rounded:	**$3,877,000**
					avg./unit:	$484,625

VALUE OF HOMES IN BULK – RICHMOND AMERICAN HOMES

Plan	Living Area (SF)	Base Value	Cost to Complete (inc. $5K contigency)	Net Value	No. of Homes	Total
					Substantially Completed	
Plan 1	2,090	$475,000	($23,000)	$452,000	1	$452,000
Plan 2	2,100	$475,000	($23,000)	$452,000	2	$904,000
Plan 3	2,190	$485,000	($23,000)	$462,000	3	$1,386,000
Plan 4	2,250	$490,000	($23,000)	$467,000	3	$1,401,000
					Completed Models	
Plan 1	2,090	$475,000	$0	$475,000	1	$475,000
Plan 2	2,100	$475,000	$0	$475,000	1	$475,000
Plan 3	2,190	$485,000	$0	$485,000	0	$0
Plan 4	2,250	$490,000	$0	$490,000	1	$490,000
					12	
					Aggregate Value	$5,583,000
					Discount at 12%	($669,960)
					Bulk Value of Homes owned by Richmond American Homes	$4,913,040
					Rounded:	**$4,913,000**
					avg./unit:	$409,417

VALUE OF HOMES IN BULK – TRI POINTE HOMES

Plan	Living Area (SF)	Base Value	Cost to Complete (inc. $5K contigency)	Net Value	No. of Homes	Total
					Substantially Completed	
Plan 1	1,817	$450,000	($23,000)	$427,000	2	$854,000
Plan 2	2,057	$470,000	($23,000)	$447,000	2	$894,000
Plan 3	2,254	$485,000	($23,000)	$462,000	4	$1,848,000
Plan 4	2,427	$500,000	($23,000)	$477,000	3	$1,431,000
					Completed Models	
Plan 1	1,817	$450,000	$0	$450,000	0	$0
Plan 2	2,057	$470,000	$0	$470,000	1	$470,000
Plan 3	2,254	$485,000	$0	$485,000	1	$485,000
Plan 4	2,427	$500,000	$0	$500,000	1	$500,000
					14	

Aggregate Value	$6,482,000
Discount at 12%	($777,840)
Bulk Value of Homes owned by Tri Pointe Homes	$5,704,160
Rounded:	**$5,704,000**
avg./unit:	$407,429

LOT VALUATION

In the valuation of the subject lots, we utilize the subdivision development method (land residual analysis) and the sales comparison approach. For each approach, we begin by estimating the subject's current value as finished lots with site development completed. From the estimated value as finished, we deduct remaining site development costs and profit, if any.

IDENTIFICATION OF LOTS IN EACH UNIT

A summary of the subject property overall is provided below for your reference.

SUBJECT PROPERTY SUMMARY

			Completed		Under Construction		Lots			
Owner	Unit	Total Planned	Homes Built/ Transferred to Individuals	Completed Model Homes	Substantially Completed/Not Closed	Other Partially Completed Homes (Not Substantially Completed)	Finished Lots	Near-Finished Lots	Partially Completed	Primarily unimproved (Rough-Graded)
Villages at Fairfield LLC (dba Discovery Homes)	Unit 1	87	20	4	4	18	41	-	-	-
Rancho Tolenas Corp. (dba Lewis Group of Companies)	Unit 2	118	-	-	-	-	-	-	-	118
Richmond American Homes of Maryland Inc.	Unit 3	93	15	3	9	22	44	-	-	-
Tri Pointe Homes Inc.	Unit 4	133	3	3	11	19	9	73	15	-
		431	38	10	24	59	94	73	15	118
		431 in Total	48 Completed Homes		83 Under Construction		94 Finished Lots	73 Near-Finished Lots	15 Partially Finished Lots	118 Rough-Graded Lots
	% of Total	100%	11% of Total		19% of Total		39% of Total		31% of Total	

In the previous sections, we estimated values for completed/transferred homes, model homes and Substantially Completed homes. As stated, the appraisal assigns no contributory value to homes under construction (except those homes that met the specific criteria of being Substantially Completed). Thus, the remaining homes under construction are appraised as finished lots. Later in this report, we will consider the contributory value of any fees paid with homes under construction.

The number of lots to be appraised in each area as finished is summarized as follows:

- Unit 1 - 59 lots (18 homes under construction plus 41 finished lots);
- Unit 2 - 118 lots;
- Unit 3 - 66 lots (22 homes under construction plus 44 finished lots);
- Unit 4 - 116 lots (19 homes under construction plus 9 finished lots plus 73 near-finished lots plus 15 partially completed lots).

Our analysis begins with the subdivision development method below.

SUBDIVISION DEVELOPMENT METHOD

When analyzing a subdivision, the income approach (yield capitalization) to value is commonly referred to as the "Subdivision Development Method." This technique utilizes discounted cash flow (DCF) analysis to extract the price that an investor/developer can afford to pay for land or finished lots, and still satisfy a profitability requirement in production as a merchant builder or land developer. The subdivision development method is a "house down" analysis that deducts anticipated home construction and carrying costs from anticipated home prices over a projected absorption period. As a discounted cash flow analysis, there are four components (revenue, absorption, expenses and discount rate). The steps required to complete this analysis are as follows:

- Estimate the revenue from the retail sale of completed homes, with consideration to appreciation/inflation factors, if any;
- Estimate an appropriate absorption rate for the sale of homes or lots;
- Estimate all expenses associated with the sell-off of completed homes, including holding and selling costs, as well as direct and indirect construction costs (with consideration for inflationary expense trending);
- Estimate the appropriate profit rate/discount rate for the type of project under consideration, and discount the net cash flows to arrive at a value indication.

The DCF model allows for a complete analysis of the subject's financial performance throughout the projection period. In the following analysis, the appraisers have attempted to model the anticipated revenues and expenses for the project based on assumptions derived from the market.

Note that while the Developer's proposed product line and unit mix are within market parameters, the intent of this analysis is to replicate the perspective of a probable buyer using general market assumptions, as opposed to using the Developer's unit mix and budgeted expenses items (which may correlate more strongly with investment value). For this reason, our analysis uses general market estimates for average home size and cost, which are more or less consistent with the proposed unit mix and budgeted items.

The four components of the discounted cash flow analysis are discussed on the following pages.

REVENUE

Revenue is generated from the sale of completed homes, lot premiums and model home recapture (if any). Projected revenues are based on the typical product that meets the highest and best use criteria for the subject property relative to the market area.

HOME SALES

We have estimated average home sizes for each product type. Based on our prior analysis, we have estimated average prices to accompany those average sizes. The estimated average prices for Units 1, 3 and 4 coincide closely with the estimated weighted average homes value of the current homes. For Unit 2, we utilized a separate adjustment grid (retained in our file) for a weighted average home size of 2,300 SF for the 4,500 SF minimum lot size category and arrived at an average value of $530,000.

Our analysis shows sales begin in Period 1, with the first sales not achieved until the end of the period. The finished lot analysis presumes the builder has completed improvement plans and other pre-construction due diligence prior to acquisition.

PRICE CHANGES

The market gives mixed responses regarding whether participants trend home prices in land acquisition models. Part of the confusion stems from market conditions. During down markets, market participants generally prefer not to speculate or price trend, but during expansionary periods with limited inventory, models require price trending in order to support land prices being paid by competitors. The size of the project also matters. Nearly all participants indicate some form of price trending when models exceed two years.

As discussed in the *Residential Market Overview*, from the date of inspection, we estimate the following appreciation schedule for the subject product lines. The estimated percentage increases are applied quarterly by utilizing appreciation factors that correspond to the percentage increase.

ESTIMATED ABSORPTION AND PRICE CHANGES

Village	Lot Size	Units*	Est. Avg. Home Size	Current Est. Avg. Base Price	Absorption/ Quarter	Absorption /Month	Estimated Annual Price Increase	Estimated Percentage Increase
Unit 1 - Traditional	5,000	59	2,650	$560,000	9	3.00	$11,200	2.0%
Unit 2 - Traditional	4,500	118	2,300	$530,000	10	3.33	$11,200	2.1%
Unit 3 - Traditional	3,500	66	2,150	$480,000	11	3.67	$11,200	2.3%
Unit 4 - Traditional	3,375	116	2,200	$480,000	11	3.67	$11,200	2.3%
		359	Weighted:	$509,582			$11,200	2.2%

There is a period lag between when home contracts are signed and construction is completed and homes are closed. Therefore, closing revenue is connected to the corresponding appreciation factor of the period of sale (contract). Moreover, the cash flow model relies on end of period discounting. Because a builder would not increase pricing until after units are placed under contract, no appreciation is reflected in the first period.

LOT PREMIUMS

In the *Subdivision Characteristics* section, we estimated total premiums of 1.5% of base home value for Unit 1, 1.0% of base home value in Unit 2, 3.0% of base home value in Unit 3 and 2.0% of base home value in Unit 4. While lot premiums may change over a market cycle, builders do not typically increase or decrease lot premiums as home prices are adjusted. Often, builders utilize a fixed lot premium schedule determined at the project outset.

MODEL RECAPTURE

We have considered the number of remaining lots in each unit. Units 1 and 3 contain 59 and 66 lots, respectively. Here, a builder likely would construct two models since the relatively small number of lots would not support additional model costs. For Units 2 and 4 (containing 118 and 116 lots, respectively), we estimate a builder would construct three models in each.

Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from $25,000 per model to over $250,000 per model. Based on the subject's market segment and project size, we estimate the subject models—based on the assumed construction quality—would have a model expense of approximately $125,000/model. This estimate includes allocations of $75,000/model in upgrades/model, $20,000/model in personal property/furniture, $20,000/model in landscaping, and $10,000/model in sales office construction and conversion costs and other miscellaneous expenses.

When model homes are sold, the developer will recapture a portion of the expenses associated with the installation of premium upgrades in the model units. Model upgrades are based on all costs associated with model development – landscaping, upgrades, furnishing, fixtures and sales office set-up. Although not considered real estate, furniture is a real cost of tract development – to omit furniture would overstate land value. The model upgrade costs are a fixed expense and the number of models provided is based on the project size and market conditions.

Builders typically recapture around 30% to 50% of model expenses. The difference between model costs and recapture represents furniture costs (which are not real estate), upgrade depreciation and sale office conversion costs. Using an estimate of 40%, the estimated recapture equates to $50,000/model. Revenue from model recapture is reflected in the last period of sales.

OPTION REVENUE

For the subject market segment in an affluent neighborhood, a builder in the current competitive environment would likely underwrite its purchase with a standard options allocation. We utilize an estimate of 5.0% of base of base revenue. Option costs are estimated at 65% of option revenue.

OPTIONS SURVEY

Location	Year	Builder Type	Average Base Price	Options Allocation	Option Revenue as % of Base Revenue	Options Cost	Options Cost at % of Option Revenue	Source/Comment
Sacramento	2019	Private	$563,062	$55,010	10%	$38,507	70%	Pro Forma, mid-construction
Lathrop	2019	Private	$499,382	$48,264	10%	$39,563	82%	Pro Forma, pre-construction
Brentwood	2018	Public	$647,865	$48,958	8%	$31,823	65%	Pro Forma, pre-construction
Lincoln	2018	Public	$488,178	$35,000	7%	$21,875	63%	Pro Forma, pre-construction
Sacramento	2018	Private	$464,661	$23,637	5%	$16,546	70%	Pro Forma, pre-construction
Sacramento	2018	Private	$456,571	$22,829	5%	$15,980	70%	Pro Forma, pre-construction
Santa Rosa	2018	Private	$606,500	$21,250	4%	$14,854	70%	Pro Forma, pre-construction
Stockton	2017	Private	$434,030	$24,000	6%	$18,000	75%	Pro Forma, pre-construction
Folsom	2017	Private	$572,857	$40,000	7%	$30,000	75%	Pro Forma, pre-construction
Folsom	2017	Private	$488,784	$20,932	4%	$14,652	70%	Pro Forma, pre-construction
Folsom	2017	Private	$682,388	$40,000	6%	$26,000	65%	Pro Forma, pre-construction
Fairfield	2017	Private	$510,224	$10,204	2%	$8,164	80%	Pro Forma, pre-construction

ABSORPTION AND TIMING

We estimated absorption in the *Residential Market Analysis*, ranging from 11 sales/quarter for Units 3 and 4 (the most affordable products) to 10 sales/quarter for Unit 2 to 9 sales/quarter for Unit 1. With sales beginning in Period 1, the project sells out in the penultimate period of the cash flows, with the final period needed to complete construction and close escrow of the remaining units.

CLOSING PROJECTIONS

The typical time required for the construction of units has been approximately three to six months from start to closing. It is assumed that closings will occur within three to six months beyond the date of sale. The discounted cash flow analysis reflects close of escrow of homes occurring in the period following the period of sale. The premise is that the builder constructs efficiently as homes are sold.

EXPENSES (SELLING AND HOLDING COSTS)

The holding and selling costs typically associated with a development where home construction is complete are summarized as follows:

SALES COMMISSIONS, CLOSING COSTS AND WARRANTY

Sales commissions, closing costs and warranty expenses typically are non-financeable and are paid at home closing. Sales commissions include both internal commissions and broker co-op. We previously estimated sales commissions at 3.00% of gross revenue. Closing and warranty expenses were previously estimated at 0.25% and 1.00%, respectively.

HOME CONSTRUCTION COSTS

Direct construction costs pertain to the labor and materials to build the project. The previously estimated direct costs are shown below. Home construction costs are spread over three periods for each home sale, which recognizes some expenses are occur before physical construction occurs. The cash flow shows the first expenses occurring in the period before point of sale, and finishing the period of home closing.

DIRECT CONSTRUCTION COSTS – APPRAISER ESTIMATE

Product Line	Lot Size (SF)	Avg. Home Size (SF)	Product	Appraiser-Estimated Direct Cost ($/SF)	Total
Unit 1	5,000	2,650	Traditional	$80.00	$212,000
Unit 2	4,500	2,300	Traditional	$83.00	$190,900
Unit 3	3,500	2,150	Traditional	$84.50	$181,675
Unit 4	3,375	2,200	Traditional	$84.00	$184,800

CHANGES IN EXPENSES (EXPENSE INCREASES OR DECREASES)

While the “all items less food and energy” CPI index has been around 1.5% to 2.0% over the last 12 months, builders have reporting direct cost increases over the last 12 months in the 3% to 5% per year range. The increases are attributable to increases in labor costs (labor shortage) and materials. As the market adjusts, we expect lesser increases over the next 12 months. To account for anticipated increases in expenses over the project life, we trend direct and indirect constructions costs upward at a rate of 2.0% per year (0.5%/quarter).

BUILDING PERMITS AND FEES

Like previously discussed, permits and fees vary by product type and on average are estimated to be in the $56,000 to $61,000 per lot range, accordingly. The estimated fees are applied to the number of homes sold in each period.

MODEL HOME COSTS

Model costs were previously estimated at $125,000/model. We consider the number of models in each product line and reflect all model expenses in the first period of home sales.

GENERAL ADMINISTRATION & OVERHEAD COSTS

This category includes all salaries for internal professionals (construction supervisors, support staff, etc.) and office overhead and supplies. We apply an estimate of 3.50%, like previously estimated. This expense is spread evenly over the sell-off period.

MARKETING

Like previously discussed, we estimate marketing expenses at 1.50% of gross sales (which includes master marketing, if any). This expense is spread evenly over the sell-off period.

OTHER INDIRECT COSTS

Other indirect items (not including indirect costs that have been considered separately) are the costs and fees incurred in developing the project and during the construction cycle, which may include architectural and engineering, insurance/bonds, common costs, field overhead and project coordinator fees. As previously discussed, we estimate other indirect costs at 4.50% of the anticipated sale price, which is spread evenly over the sell off period.

REAL ESTATE TAXES

The subject's taxes are estimated based on the current tax rate of around 1.18% applied to the estimated market value. Taxes have been applied to the remaining unclosed lots each quarter based on the final value estimate. Taxes are appreciated 2% every four quarters.

As vacant finished lots, annual direct levies for the subject are estimated to total $12/lot. In addition, for each unit we consider the Special Taxes for the CFD, which vary by product line and home sizing. The estimated weighted average maximum Special Taxes range from $2,712 to $3,169/lot (depending on area) and were discussed in the *Property Taxes* section of this report.

The direct levy and Special Tax amounts are adjusted to a quarterly basis and applied to the unclosed beginning period inventory.

OPTION COSTS

Like previously discussed, there is strong demand for lots and the market is expanding. A builder in this competitive environment would likely underwrite its purchase with a standard options allocation. Based on the prior survey presented, we estimate options costs at 65% of option revenue.

SITE DEVELOPMENT COSTS

In this section, we consider the subject as if site development is completed. Therefore, an allocation for site development is not needed. We consider remaining site development costs (if any) and profit (if any) after concluding a value as if finished.

PROFIT PARTICIPATION

Units 3 and 4 were sold with profit participation obligations where builders must share 50% of profits above the 10% net profit established in their purchase contracts. Many builders underwrite acquisitions with target profits in the range of 8% to 9% (net of debt only). For this reason, profit participation at 10% or higher typically does not have significant impact on lot value, particularly late in the market cycle with home appreciation is occurring near the same level of cost increases. Deductions for profit participation are not warranted.

DISCOUNT RATE/DEVELOPER PROFIT

The final element in the discounted cash flow analysis is the discount rate that is applied to the individual cash flows. Discount rates applied typically in one of two ways: (1) an overall discount rate (IRR) inclusive of profit and the cost of funds of money; or (2) a bifurcated discount rate that is net of profit and represents the cost of funds of money only. The latter may be applied with a profit net of debt only, where the discount rate represents the cost of debt only, or it may be applied with a profit net of debt and equity, where the discount rate represents the blended cost of debt and equity.

Both the overall discount rate and bifurcated models are typical in the market. However, one shortcoming of the overall discount rate (IRR) methodology is the IRR skews upward significantly for smaller projects, particularly those less than 75 lots. For instance, Project A may contain 50 lots and Project B may contain 125 lots, and both may achieve the same profit per home, but an overall discount rate (IRR) would may show Project A yielding an IRR of 25% while Project B may be 20%. This phenomenon was discussed in a featured article of The Appraisal Journal titled “The Trouble with Rates in the Subdivision Development Method to Land Valuation,” (Curry, 2013).

Considering Units 1 through 4 contain different numbers of lots (with Units 1 and 3 each containing a smaller number of lots), and in an effort to keep our analysis uniform across areas under different ownership, we utilize a bifurcated discount rate in this report (net of debt of equity). We also calculate the implied IRR based on the estimated profit and discount rate, as a test of reasonableness and additional support only.

Interviews with home builders provide support for a profit range from 8-15% of home price, as supported by the following profit survey. Note that the profit survey about was based on respondents of suburban area projects. Urban projects typically require much higher profits, as capital outlays for construction are nearly double that of suburban projects.

PROFIT (INCENTIVE) SURVEY by BBG – Sacramento/San Francisco

Pro Forma (based on market acquisition)	Area	Expectation
Public builder acquiring 300 +/- unimproved lots, multiple product lines (2018)	East Bay Area	13.8% net profit
Private builder acquiring 200 +/- townhome lots at t-map (2018)	North Bay Area	10.3% net of debt and equity
Private builder acquiring 70 +/- finished lots (2018)	Sacramento MSA	9.9% net profit from production homes averaging $455K; 6.69% net profit after equity
Private builder acquiring 30 +/- finished lots (2018)	Sacramento MSA	11.3% net profit from production homes averaging $465K; 8.34% net profit after equity
Private builder acquiring 35 +/- finished lots (2017)	Sacramento MSA	14.3% net profit from production homes averaging $575K
Private builder acquiring 15 +/- finished lots (2017)	Sacramento MSA	11.4% net profit from production homes averaging $680K
Private builder acquiring 15 +/- unimproved lots (2016)	Sacramento MSA	6.28% net profit from production homes averaging $475K, including profit associated with completing site development
Private builder acquiring 90+ finished lots (2016)	Mountain House/Lathrop	12.4% net profit before upgrades from production homes averaging $475K, plus 0.9% after upgrades. After profit participation, 10.4% net profit before upgrades, plus 0.9% after upgrades
Private builder acquiring 40+ finished lots (2016)	Sacramento MSA	6.5% net profit before upgrades from production homes averaging $465K, plus 1.6% after upgrades
Public builder acquiring 100+ finished lots (2016)	Sacramento MSA	9.34% net profit before upgrades from production homes averaging $350K, plus 1.2% after upgrades

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Note: Net profit implies net of debt financing only (some builders do not utliize or report equity financing), unless otherwise specified

The reported profit expectations above are net of debt financing but before equity financing (unless otherwise noted). Based on the subject characteristics, we've estimated a profit of 8.00% net of debt and equity financing (or before accounting for the time value of money) for Unit 1, which is the least affordable with the slowest absorption of the subject areas (higher risk). Net of debt financing only, the cash flow model yields a profit that is 100-200 basis points which, which is reasonable relative to the survey data. For Unit 2 (slightly more affordable, slightly stronger absorption), we estimate profit at 7.75%; and for Units 3 and 4 (most affordable/strongest absorption), we estimate profit at 7.5%.

Typical debt financing is summarized as follows:

COST OF FUNDS SURVEY by BBG – Northern California

Source	Area	Expectation
Private Builder Pro Forma using Regional Bank (2018)	Sacramento MSA	5.50% plus one point for lender, 12.0% equity with 1.6X
Private Builder Pro Forma using National Bank (2017)	Sacramento MSA	4.2% plus 0.7 point
Private Builder Pro Forma using National Bank (2017)	Sacramento MSA	70% LTV or 80% LTC on completed homes at 5.25% interest, plus one point
Private Builder Pro Forma using Regional Bank (2016)	Manteca/Lathrop	65% LTV on finished lot acquisition, 75% LTC on vertical, at 5.0% interest, points not reported
Private Builder (anonymous) using National Bank (2016)	Secondary market in San Joaquin County	Prime plus 1%, develoment and construction in one loan based on the lesser of 75% Loan to Retail Value or 83% Loan to Total Cost. Plus 1.25 points.
Private Builder Pro Forma using Regional Bank (2016)	San Francisco Bay Area and Sacramento	3.94% plus 1.25 points, 75% LTC
Loan Executive (anonymous) - Regional Bank (2015)	San Francisco Bay Area and Sacramento	Prime plus 1.5% to 2.0%. Higher rates are typical for smaller builders and projects. A 1.5% spread would be typical for a 50-lot subdivision with an experienced developer. Given really good loan terms (sub 50% LTV), a strong guarantor, market competition, etc., would likely go as low as Prime plus 1.0%. Committment fee is 1.0% to 2.0%.

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Equity financing is typically paid on a waterfall basis. Preferred returns typically range from 8% to 20% and come with minimum IRR expectations. Private equity requirements vary based on project size and type. Smaller projects may rely on private equity financing based on a preferred return only (reflecting a minor premium on rates expected from "safe" commercial investments such as low-risk self-storage facilities), while larger projects—such as master planned communities—may require a preferred return, as well as multiples of 2X or 3X, in addition to project performance requirements such as sales rate (3+/month) and unleveraged IRR requirements (25+%).

Assuming typical loan costs, we estimate a discount rate (cost of funds) of 8.50% for the subject.

At the estimated bifurcated variables, our analysis yields overall discount rates (IRRs) of 24.65% for Unit 1 (59 lots), 19.57% for Unit 2 (118 lots), 24.13% for Unit 3 (66 lots) and 20.39% for Unit 4 (116 lots). As discussed and expected, the IRRs for Units 1 and 3 skew higher; or said another way, the elevated IRRs for Units 1 and 3 are the IRRs necessary in order to achieve the desired target profits (7.7% for Unit 2 and 7.5% for Unit 3, as indicated). Any lower IRR would yield an insufficient profit.

As a test of reasonableness, we compare the inferred overall discount rate (IRRs) associated with Units 2 and 4 with overall discount survey data in the market. We've considered the PwC Real Estate Investor Survey, Realty Rates and propriety BBG surveys for determination of the discount rate.

PUBLISHED SURVEYS

Survey	Rate	Comment
PwC Real Estate Investor Survey 4th Quarter 2018	10% - 20%, with an average of 15.4%	Up 40 basis points from 2nd Quarter, up 40 basis points from one year ago
Realty Rates 4th Quarter 2018	16.40% - 37.61%, 25.03% average	California/Pacific Islands Region Subdivisions/PUDs, -100 units

Further support for an appropriate yield rate is from the opinions of market participants. A discount rate survey (completed by BBG, Inc.) is presented below. Note that most of the properties below represented unimproved projects with higher risk (in this section, we are analyzing the subject on a finished lot basis).

IRR SURVEY by BBG – Northern California

Pro Forma (based on market acquisition)	Area	Expectation	
Private Builder acquiring 200+ townhome lots at t-map	North Bay Area	22.90%	One product line, 5+ years of expected sales
Land Banker completing site improvements and selling 300 finished lots (three villages) on rolling takedown at 3 lots per month (2018)	SE Bay Area/Mt. House	12.60%	All cost overruns guaranteed by builder-buyer
Private Builder acquiring 300 +/- unimproved lots w/ imp. plans (2018)	SE Bay Area/Mt. House	24.10%	Three product lines
Private Builder acquiring 300 +/- unimproved lots w/ imp. plans (2018)	East Bay Area	22.30%	Three product lines
Private Builder acquiring 70 +/- unimproved lots no imp. plans (2018)	Sacramento Area	19.04%	Price not finaled; price likely to be adjusted downward for higher IRR
Private Builder acquiring 30 +/- unimproved lots w/ imp. plans (2018)	Sacramento Area	26.34%	
Private Builder acquiring 10 +/- unimproved lots, no imp. plans (2016)	San Francisco Bay Area	24.02%	
Private Builder acquiring 200+ unimproved lots, no imp. plans (2016)	San Francisco Bay Area	24.12%	Two product lines
Private Builder acquiring 130+ blue-top lots (2015)	South Bay Area	21.41%	

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The calculated IRRs for Units 2 and 4 are reasonable relative to market data.

CONCLUSION

A summary of the DCF analysis analyses is provided below; the full discounted cash flows then follow.

SUMMARY OF DISCOUNTED CASH FLOWS

		Unit 1, 5,000 SF			Unit 2, 4,500 SF			Unit 3, 3,500 SF			Unit 4, 3,375 SF		
Configuration			Traditional			Traditional			Traditional			Traditional	
Avg. Home Size (SF)			2,650			2,300			2,150			2,200	
Number of Lots			59			118			66			116	
Revenue		**Single Unit (Static)**	**Single-Unit (from DCF Model)**	**Total from DCF**	**Single Unit (Static)**	**Single-Unit (from DCF Model)**	**Total from DCF**	**Single Unit (Static)**	**Single-Unit (from DCF Model)**	**Total from DCF**	**Single Unit (Static)**	**Single-Unit (from DCF Model)**	**Total from DCF**
Base Home Revenue		$560,000	$560,000	$33,040,000	$530,000	$530,000	$62,540,000	$480,000	$480,000	$31,680,000	$480,000	$480,000	$55,680,000
Appreciated Base Home Revenue			$568,756	$33,556,621		$546,130	$64,443,342		$487,971	$32,206,106		$494,402	$57,350,613
Lot Premium Revenue		$8,400	$8,400	$495,600	$5,300	$5,300	$625,400	$14,400	$14,400	$950,400	$9,600	$9,600	$1,113,600
Option Revenue		$28,000	$28,000	$1,652,000	$26,500	$26,500	$3,127,000	$24,000	$24,000	$1,584,000	$24,000	$24,000	$2,784,000
Model Recapture	*40%*	$1,695	$1,695	$100,000	$1,271	$1,271	$150,000	$1,515	$1,515	$100,000	$1,293	$1,293	$150,000
Total Revenue (Gross Sale Proceeds)		$598,095	$606,851	$35,804,221	$563,071	$579,201	$68,345,742	$519,915	$527,886	$34,840,506	$514,893	$529,295	$61,398,213
Expenses													
Sales Commissions	*3.00%*	$17,943	$18,206	$1,074,127	$16,892	$17,376	$2,050,372	$15,597	$15,837	$1,045,215	$15,447	$15,879	$1,841,946
Closing, Title, Escrow	*0.25%*	$1,495	$1,517	$89,511	$1,408	$1,448	$170,864	$1,300	$1,320	$87,101	$1,287	$1,323	$153,496
Warranty	*1.00%*	$5,981	$6,069	$358,042	$5,631	$5,792	$683,457	$5,199	$5,279	$348,405	$5,149	$5,293	$613,982
Direct Constructon Costs		$212,000	$215,352	$12,705,793	$190,900	$196,449	$23,180,971	$181,675	$184,329	$12,165,720	$184,800	$189,631	$21,997,167
Permits and Fees		$61,000	$61,000	$3,599,000	$58,000	$58,000	$6,844,000	$56,000	$56,000	$3,696,000	$57,000	$57,000	$6,612,000
Option Costs	*65%*	$18,200	$18,200	$1,073,800	$17,225	$17,225	$2,032,550	$15,600	$15,600	$1,029,600	$15,600	$15,600	$1,809,600
General and Administrative	*3.50%*	$20,933	$21,240	$1,253,148	$19,707	$20,272	$2,392,101	$18,197	$18,476	$1,219,418	$18,021	$18,525	$2,148,937
Marketing	*1.50%*	$8,971	$9,103	$537,063	$8,446	$8,688	$1,025,186	$7,799	$7,918	$522,608	$7,723	$7,939	$920,973
Other Indirects (Constr./Ins./Contingency)	*4.50%*	$26,914	$27,308	$1,611,190	$25,338	$26,064	$3,075,558	$23,396	$23,755	$1,567,823	$23,170	$23,818	$2,762,920
Model Costs		$4,237	$4,237	$250,000	$3,178	$3,178	$375,000	$3,788	$3,788	$250,000	$3,233	$3,233	$375,000
Ad Valorem Taxes		$1,714	$2,211	$130,477	$1,633	$3,213	$379,130	$1,521	$1,886	$124,445	$1,374	$2,511	$291,274
Direct Levies	*$12 /yr*	$12	$15	$903	$12	$23	$2,724	$12	$15	$963	$12	$21	$2,481
Special Taxes	*variable /yr*	$3,169	$4,042	$238,467	$2,990	$5,752	$678,730	$2,712	$3,298	$217,638	$2,775	$4,946	$573,731
HOA	*$0 /yr*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Remaining Site Development Costs		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Profit Participation		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Subtotal:	$382,571	$388,500	$22,921,520	$351,360	$363,480	$42,890,645	$332,797	$337,499	$22,274,936	$335,592	$345,720	$40,103,507
Net Income Before Profit		$215,524	$218,351	$12,882,700	$211,711	$215,721	$25,455,097	$187,118	$190,387	$12,565,570	$179,301	$183,575	$21,294,706
Implied Developer's Incentive		$47,848	$48,548	$2,864,338	$43,638	$44,888	$5,296,795	$38,994	$39,591	$2,613,038	$38,617	$39,697	$4,604,866
Net Income After Profit		$167,677	$169,803	$10,018,363	$168,073	$170,833	$20,158,302	$148,125	$150,796	$9,952,532	$140,684	$143,878	$16,689,840
Implied Cost of Funds	*8.50% /yr*	$14,253	$23,696	$1,398,043	$14,286	$31,197	$3,681,225	$12,591	$20,047	$1,323,102	$11,958	$25,902	$3,004,604
Value Indication - Static, Single-Year		$153,424			$153,787			$135,534			$128,726		
Value Indication		Unrounded	$146,107	$8,620,320	Unrounded	$139,636	$16,477,077	Unrounded	$130,749	$8,629,430	Unrounded	$117,976	$13,685,235
		Rounded	**$146,102**	**$8,620,000**	**Rounded**	**$139,636**	**$16,477,000**	**Rounded**	**$130,742**	**$8,629,000**	**Rounded**	**$117,974**	**$13,685,000**
Internal Rate of Return			24.65%			19.57%			24.13%			20.39%	
Profit Net of Debt and Equity			8.00%			7.75%			7.50%			7.50%	
Discount Rate Net of All Profit			8.50%			8.50%			8.50%			8.50%	

DISCOUNTED CASH FLOW ANLAYSIS – UNIT 1

REVENUE AND SALES	Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12
SALES	9	0	6	9	9	9	9	9	8	0	0	0	0	0
UNSOLD INVENTORY		59	53	44	35	26	17	8	0	0	0	0	0	0
CLOSE OF ESCROW		0	0	6	9	9	9	9	9	8	0	0	0	0
UNCLOSED INVENTORY			59	59	53	44	35	26	17	8	0	0	0	0
		Total												
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)	*$560,000*	$33,040,000	$3,360,000	$5,040,000	$5,040,000	$5,040,000	$5,040,000	$5,040,000	$4,480,000	$0	$0	$0	$0	$0
Quarterly Apprecation Factor		*0.50%*	1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407	1.0459	1.0511	1.0564
APPRECIATED BASE HOME REVENUE		$33,556,621	$3,360,000	$5,065,200	$5,090,526	$5,115,979	$5,141,559	$5,167,266	$4,616,091	$0	$0	$0	$0	$0
APPRECIATED CLOSING BASE HOME REVENUE		$33,556,621	$0	$3,360,000	$5,065,200	$5,090,526	$5,115,979	$5,141,559	$5,167,266	$4,616,091	$0	$0	$0	$0
LOT PREMIUM REVENUE	*$8,400*	$495,600	$0	$50,400	$75,600	$75,600	$75,600	$75,600	$75,600	$67,200	$0	$0	$0	$0
OPTION REVENUE	*$28,000*	$1,652,000	$0	$168,000	$252,000	$252,000	$252,000	$252,000	$252,000	$224,000	$0	$0	$0	$0
MODEL RECAPTURE	*$1,695*	$100,000	$0	$0	$0	$0	$0	$0	$0	$100,000	$0	$0	$0	$0
TOTAL REVENUE		$35,804,221	$0	$3,578,400	$5,392,800	$5,418,126	$5,443,579	$5,469,159	$5,494,866	$5,007,291	$0	$0	$0	$0
EXPENSES AND CASH FLOWS														
PAID AT CLOSING														
SALES COMMISSIONS (% OF TOTAL REVENUE)	*3.00%*	$1,074,127	$0	$107,352	$161,784	$162,544	$163,307	$164,075	$164,846	$150,219	$0	$0	$0	$0
CLOSING, TITLE, ESCROW (% OF TOTAL REVENUE)	*0.25%*	$89,511	$0	$8,946	$13,482	$13,545	$13,609	$13,673	$13,737	$12,518	$0	$0	$0	$0
WARRANTY (% OF TOTAL REVENUE)	*1.00%*	$358,042	$0	$35,784	$53,928	$54,181	$54,436	$54,692	$54,949	$50,073	$0	$0	$0	$0
SUBTOTAL:		$1,521,679	$0	$152,082	$229,194	$230,270	$231,352	$232,439	$233,532	$212,810	$0	$0	$0	$0
FINANCABLE														
DIRECT CONSTRUCTION COSTS	*$212,000*	$12,508,000	$1,484,000	$1,696,000	$1,908,000	$1,908,000	$1,908,000	$1,837,333	$1,201,333	$565,333	$0	$0	$0	$0
Quarterly Rate of Apprecation		*0.50%*	1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407	1.0459	1.0511	1.0564
APPRECIATED DIRECT CONSTRUCTION COSTS		$12,705,793	$1,484,000	$1,704,480	$1,927,128	$1,936,763	$1,946,447	$1,883,728	$1,237,827	$585,419	$0	$0	$0	$0
BUILDING PERMITS AND FEES (FIXED)	*$61,000*	$3,599,000	$366,000	$549,000	$549,000	$549,000	$549,000	$549,000	$488,000	$0	$0	$0	$0	$0
OPTION COSTS	*65%*	$1,073,800	$0	$109,200	$163,800	$163,800	$163,800	$163,800	$163,800	$145,600	$0	$0	$0	$0
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)	*3.50%*	$1,253,148	$156,643	$156,643	$156,643	$156,643	$156,643	$156,643	$156,643	$156,643	$0	$0	$0	$0
MARKETING (% OF TOTAL REVENUE)	*1.50%*	$537,063	$67,133	$67,133	$67,133	$67,133	$67,133	$67,133	$67,133	$67,133	$0	$0	$0	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/ETC.)	*4.50%*	$1,611,190	$201,399	$201,399	$201,399	$201,399	$201,399	$201,399	$201,399	$201,399	$0	$0	$0	$0
MODEL COSTS (FIXED)	*$4,237*	$250,000	$250,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	*$1,724*	$130,477	$25,430	$25,430	$22,844	$18,965	$15,387	$11,431	$7,474	$3,517	$0	$0	$0	$0
DIRECT LEVIES (FIXED)	*$12*	$903	$177	$177	$159	$132	$105	$78	$51	$24	$0	$0	$0	$0
SPECIAL TAXES	*$3,169*	$238,467	$46,743	$46,743	$41,989	$34,859	$27,729	$20,599	$13,468	$6,338	$0	$0	$0	$0
HOA (FIXED)	*$0*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$21,399,841	$2,597,525	$2,860,205	$3,130,095	$3,128,694	$3,127,643	$3,053,810	$2,335,795	$1,166,073	$0	$0	$0	$0
TOTAL EXPENSES		$22,921,520	$2,597,525	$3,012,287	$3,359,289	$3,358,965	$3,358,995	$3,286,250	$2,569,327	$1,378,883	$0	$0	$0	$0
NET INCOME/PROJECT RETURN		$12,882,700	($2,597,525)	$566,113	$2,033,511	$2,059,161	$2,084,583	$2,182,909	$2,925,539	$3,628,408	$0	$0	$0	$0
NET PROFIT	**8.00%**	$2,864,338	$0	$286,272	$431,424	$433,450	$435,486	$437,533	$439,589	$400,583	$0	$0	$0	$0
NET INCOME AFTER PROFIT		$10,018,363	($2,597,525)	$279,841	$1,602,087	$1,625,711	$1,649,097	$1,745,376	$2,485,950	$3,227,825	$0	$0	$0	$0
DISCOUNT RATE	**8.50%**	Factor	0.97919	0.95882	0.93887	0.91933	0.90020	0.88147	0.86313	0.84517	0.82758	0.81036	0.79350	0.77699
DISCOUNTED CASH FLOW		$8,620,320	($2,543,476)	$268,317	$1,504,146	$1,494,566	$1,484,519	$1,538,497	$2,145,695	$2,728,057	$0	$0	$0	$0
	VALUE CONCLUSION	**$8,620,000**												
IRR (VALUE CONCLUSION RELATIVE TO PROJECT RETURN)	24.65%	$8,620,320	($2,597,525)	$566,113	$2,033,511	$2,059,161	$2,084,583	$2,182,909	$2,925,539	$3,628,408	$0	$0	$0	$0

DISCOUNTED CASH FLOW ANALYSIS – UNIT 2

REVENUE AND SALES	**Quarter:**	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
SALES	*10*	0	7	10	10	10	10	10	10	10	10	10	10	10	1	0
UNSOLD INVENTORY		*118*	111	101	91	81	71	61	51	41	31	21	11	1	0	0
CLOSE OF ESCROW		0	0	7	10	10	10	10	10	10	10	10	10	10	10	1
UNCLOSED INVENTORY			118	118	111	101	91	81	71	61	51	41	31	21	11	1
		Total														
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)	*$530,000*	$62,540,000	$3,710,000	$5,300,000	$5,300,000	$5,300,000	$5,300,000	$5,300,000	$5,300,000	$5,300,000	$5,300,000	$5,300,000	$5,300,000	$5,300,000	$530,000	$0
	Quarterly Apprecation Factor	*0.53%*	1.0000	1.0053	1.0105	1.0158	1.0212	1.0265	1.0319	1.0373	1.0428	1.0483	1.0538	1.0593	1.0649	1.0704
APPRECIATED BASE HOME REVENUE		$64,443,342	$3,710,000	$5,327,825	$5,355,796	$5,383,914	$5,412,180	$5,440,594	$5,469,157	$5,497,870	$5,526,734	$5,555,749	$5,584,917	$5,614,237	$564,371	$0
APPRECIATED CLOSING BASE HOME REVENUE		$64,443,342	$0	$3,710,000	$5,327,825	$5,355,796	$5,383,914	$5,412,180	$5,440,594	$5,469,157	$5,497,870	$5,526,734	$5,555,749	$5,584,917	$5,614,237	$564,371
LOT PREMIUM REVENUE	*$5,300*	$625,400	$0	$37,100	$53,000	$53,000	$53,000	$53,000	$53,000	$53,000	$53,000	$53,000	$53,000	$53,000	$53,000	$5,300
OPTION REVENUE	*$26,500*	$3,127,000	$0	$185,500	$265,000	$265,000	$265,000	$265,000	$265,000	$265,000	$265,000	$265,000	$265,000	$265,000	$265,000	$26,500
MODEL RECAPTURE	*$1,271*	$150,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$150,000
TOTAL REVENUE		$68,345,742	$0	$3,932,600	$5,645,825	$5,673,796	$5,701,914	$5,730,180	$5,758,594	$5,787,157	$5,815,870	$5,844,734	$5,873,749	$5,902,917	$5,932,237	$746,171
EXPENSES AND CASH FLOWS																
PAID AT CLOSING																
SALES COMMISSIONS (% OF TOTAL REVENUE)	*3.00%*	$2,050,372	$0	$117,978	$169,375	$170,214	$171,057	$171,905	$172,758	$173,615	$174,476	$175,342	$176,212	$177,087	$177,967	$22,385
CLOSING, TITLE, ESCROW (% OF TOTAL REVENUE)	*0.25%*	$170,864	$0	$9,832	$14,115	$14,184	$14,255	$14,325	$14,396	$14,468	$14,540	$14,612	$14,684	$14,757	$14,831	$1,865
WARRANTY (% OF TOTAL REVENUE)	*1.00%*	$683,457	$0	$39,326	$56,458	$56,738	$57,019	$57,302	$57,586	$57,872	$58,159	$58,447	$58,737	$59,029	$59,322	$7,462
SUBTOTAL:		$2,904,694	$0	$167,136	$239,948	$241,136	$242,331	$243,533	$244,740	$245,954	$247,174	$248,401	$249,634	$250,874	$252,120	$31,712
FINANCABLE																
DIRECT CONSTRUCTION COSTS	*$190,900*	$22,526,200	$1,527,200	$1,718,100	$1,909,000	$1,909,000	$1,909,000	$1,909,000	$1,909,000	$1,909,000	$1,909,000	$1,909,000	$1,909,000	$1,336,300	$699,967	$63,633
	Quarterly Rate of Apprecation	*0.50%*	1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407	1.0459	1.0511	1.0564	1.0617	1.0670
APPRECIATED DIRECT CONSTRUCTION COSTS		$23,180,971	$1,527,200	$1,726,691	$1,928,138	$1,937,778	$1,947,467	$1,957,205	$1,966,991	$1,976,826	$1,986,710	$1,996,643	$2,006,627	$1,411,662	$743,139	$67,896
BUILDING PERMITS AND FEES (FIXED)	*$58,000*	$6,844,000	$406,000	$580,000	$580,000	$580,000	$580,000	$580,000	$580,000	$580,000	$580,000	$580,000	$580,000	$580,000	$58,000	$0
OPTION COSTS	*65%*	$2,032,550	$0	$120,575	$172,250	$172,250	$172,250	$172,250	$172,250	$172,250	$172,250	$172,250	$172,250	$172,250	$172,250	$17,225
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)	*3.50%*	$2,392,101	$170,864	$170,864	$170,864	$170,864	$170,864	$170,864	$170,864	$170,864	$170,864	$170,864	$170,864	$170,864	$170,864	$170,864
MARKETING (% OF TOTAL REVENUE)	*1.50%*	$1,025,186	$73,228	$73,228	$73,228	$73,228	$73,228	$73,228	$73,228	$73,228	$73,228	$73,228	$73,228	$73,228	$73,228	$73,228
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/ETC.)	*4.50%*	$3,075,558	$219,683	$219,683	$219,683	$219,683	$219,683	$219,683	$219,683	$219,683	$219,683	$219,683	$219,683	$219,683	$219,683	$219,683
MODEL COSTS (FIXED)	*$3,178*	$375,000	$375,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	*$1,648*	$379,130	$48,607	$48,607	$45,724	$41,605	$38,235	$34,033	$29,832	$25,630	$21,857	$17,571	$13,286	$9,000	$4,714	$429
DIRECT LEVIES (FIXED)	*$12*	$2,724	$354	$354	$333	$303	$273	$243	$213	$183	$153	$123	$93	$63	$33	$3
SPECIAL TAXES	*$2,990*	$678,730	$88,205	$88,205	$82,973	$75,498	$68,023	$60,548	$53,073	$45,598	$38,123	$30,648	$23,173	$15,698	$8,223	$748
HOA (FIXED)	*$0*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$39,985,951	$2,909,141	$3,028,207	$3,273,192	$3,271,208	$3,270,023	$3,268,053	$3,266,133	$3,264,261	$3,262,867	$3,261,010	$3,259,202	$2,652,447	$1,450,134	$550,075
TOTAL EXPENSES		$42,890,645	$2,909,141	$3,195,342	$3,513,139	$3,512,345	$3,512,354	$3,511,586	$3,510,873	$3,510,215	$3,510,041	$3,509,411	$3,508,837	$2,903,321	$1,702,254	$581,787
NET INCOME/PROJECT RETURN		$25,455,097	($2,909,141)	$737,258	$2,132,686	$2,161,452	$2,189,560	$2,218,594	$2,247,721	$2,276,942	$2,305,828	$2,335,323	$2,364,912	$2,999,596	$4,229,984	$164,384
NET PROFIT	**7.75%**	$5,296,795	$0	$304,777	$437,551	$439,719	$441,898	$444,089	$446,291	$448,505	$450,730	$452,967	$455,216	$457,476	$459,748	$57,828
NET INCOME AFTER PROFIT		$20,158,302	($2,909,141)	$432,481	$1,695,134	$1,721,732	$1,747,662	$1,774,505	$1,801,430	$1,828,437	$1,855,098	$1,882,356	$1,909,697	$2,542,120	$3,770,235	$106,556
DISCOUNT RATE (COST OF FUNDS)	**8.50%**	Factor	0.97919	0.95882	0.93887	0.91933	0.90020	0.88147	0.86313	0.84517	0.82758	0.81036	0.79350	0.77699	0.76082	0.74499
DISCOUNTED CASH FLOW		$16,477,077	($2,848,608)	$414,671	$1,591,505	$1,582,841	$1,573,247	$1,564,173	$1,554,866	$1,545,338	$1,535,247	$1,525,390	$1,515,345	$1,975,200	$2,868,478	$79,383
	VALUE CONCLUSION	**$16,477,000**														
IRR (VALUE CONCLUSION RELATIVE TO PROJECT RETURN)	19.57%	$16,477,077	($2,909,141)	$737,258	$2,132,686	$2,161,452	$2,189,560	$2,218,594	$2,247,721	$2,276,942	$2,305,828	$2,335,323	$2,364,912	$2,999,596	$4,229,984	$164,384

DISCOUNTED CASH FLOW ANALYSIS – UNIT 3

REVENUE AND SALES	Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12
SALES	*11*	0	7	11	11	11	11	11	4	0	0	0	0	0
UNSOLD INVENTORY		*66*	59	48	37	26	15	4	0	0	0	0	0	0
CLOSE OF ESCROW		0	0	7	11	11	11	11	11	4	0	0	0	0
UNCLOSED INVENTORY			66	66	59	48	37	26	15	4	0	0	0	0
		Total												
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)	*$480,000*	$31,680,000	$3,360,000	$5,280,000	$5,280,000	$5,280,000	$5,280,000	$5,280,000	$1,920,000	$0	$0	$0	$0	$0
	Quarterly Apprecation Factor	*0.58%*	1.0000	1.0058	1.0115	1.0173	1.0232	1.0291	1.0350	1.0410	1.0469	1.0530	1.0590	1.0651
APPRECIATED BASE HOME REVENUE		$32,206,106	$3,360,000	$5,310,360	$5,340,895	$5,371,605	$5,402,491	$5,433,556	$1,987,200	$0	$0	$0	$0	$0
APPRECIATED CLOSING BASE HOME REVENUE		$32,206,106	$0	$3,360,000	$5,310,360	$5,340,895	$5,371,605	$5,402,491	$5,433,556	$1,987,200	$0	$0	$0	$0
LOT PREMIUM REVENUE	*$14,400*	$950,400	$0	$100,800	$158,400	$158,400	$158,400	$158,400	$158,400	$57,600	$0	$0	$0	$0
OPTION REVENUE	*$24,000*	$1,584,000	$0	$168,000	$264,000	$264,000	$264,000	$264,000	$264,000	$96,000	$0	$0	$0	$0
MODEL RECAPTURE	*$1,515*	$100,000	$0	$0	$0	$0	$0	$0	$0	$100,000	$0	$0	$0	$0
TOTAL REVENUE		$34,840,506	$0	$3,628,800	$5,732,760	$5,763,295	$5,794,005	$5,824,891	$5,855,956	$2,240,800	$0	$0	$0	$0
EXPENSES AND CASH FLOWS														
PAID AT CLOSING														
SALES COMMISSIONS (% OF TOTAL REVENUE)	*3.00%*	$1,045,215	$0	$108,864	$171,983	$172,899	$173,820	$174,747	$175,679	$67,224	$0	$0	$0	$0
CLOSING, TITLE, ESCROW (% OF TOTAL REVENUE)	*0.25%*	$87,101	$0	$9,072	$14,332	$14,408	$14,485	$14,562	$14,640	$5,602	$0	$0	$0	$0
WARRANTY (% OF TOTAL REVENUE)	*1.00%*	$348,405	$0	$36,288	$57,328	$57,633	$57,940	$58,249	$58,560	$22,408	$0	$0	$0	$0
SUBTOTAL:		$1,480,722	$0	$154,224	$243,642	$244,940	$246,245	$247,558	$248,878	$95,234	$0	$0	$0	$0
FINANCABLE														
DIRECT CONSTRUCTION COSTS	*$181,675*	$11,990,550	$1,513,958	$1,756,192	$1,998,425	$1,998,425	$1,998,425	$1,574,517	$908,375	$242,233	$0	$0	$0	$0
	Quarterly Rate of Apprecation	*0.50%*	1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407	1.0459	1.0511	1.0564
APPRECIATED DIRECT CONSTRUCTION COSTS		$12,165,720	$1,513,958	$1,764,973	$2,018,459	$2,028,552	$2,038,694	$1,614,275	$935,969	$250,840	$0	$0	$0	$0
BUILDING PERMITS AND FEES (FIXED)	*$56,000*	$3,696,000	$392,000	$616,000	$616,000	$616,000	$616,000	$616,000	$224,000	$0	$0	$0	$0	$0
OPTION COSTS	*65%*	$1,029,600	$0	$109,200	$171,600	$171,600	$171,600	$171,600	$171,600	$62,400	$0	$0	$0	$0
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)	*3.50%*	$1,219,418	$152,427	$152,427	$152,427	$152,427	$152,427	$152,427	$152,427	$152,427	$0	$0	$0	$0
MARKETING (% OF TOTAL REVENUE)	*1.50%*	$522,608	$65,326	$65,326	$65,326	$65,326	$65,326	$65,326	$65,326	$65,326	$0	$0	$0	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/ETC.)	*4.50%*	$1,567,823	$195,978	$195,978	$195,978	$195,978	$195,978	$195,978	$195,978	$195,978	$0	$0	$0	$0
MODEL COSTS (FIXED)	*$3,788*	$250,000	$250,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	*$1,543*	$124,445	$25,457	$25,457	$22,757	$18,514	$14,557	$10,229	$5,901	$1,574	$0	$0	$0	$0
DIRECT LEVIES (FIXED)	*$12*	$963	$198	$198	$177	$144	$111	$78	$45	$12	$0	$0	$0	$0
SPECIAL TAXES	*$2,712*	$217,638	$44,748	$44,748	$40,002	$32,544	$25,086	$17,628	$10,170	$2,712	$0	$0	$0	$0
HOA (FIXED)	*$0*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$20,794,214	$2,640,092	$2,974,306	$3,282,726	$3,281,085	$3,279,779	$2,843,541	$1,761,417	$731,268	$0	$0	$0	$0
TOTAL EXPENSES		$22,274,936	$2,640,092	$3,128,530	$3,526,368	$3,526,025	$3,526,024	$3,091,099	$2,010,295	$826,502	$0	$0	$0	$0
NET INCOME/PROJECT RETURN		$12,565,570	($2,640,092)	$500,270	$2,206,392	$2,237,270	$2,267,981	$2,733,792	$3,845,661	$1,414,297	$0	$0	$0	$0
NET PROFIT	**7.50%**	$2,613,038	$0	$272,160	$429,957	$432,247	$434,550	$436,867	$439,197	$168,060	$0	$0	$0	$0
NET INCOME AFTER PROFIT		$9,952,532	($2,640,092)	$228,110	$1,776,435	$1,805,023	$1,833,430	$2,296,925	$3,406,464	$1,246,237	$0	$0	$0	$0
DISCOUNT RATE (COST OF FUNDS)	**8.50%**	Factor	0.97919	0.95882	0.93887	0.91933	0.90020	0.88147	0.86313	0.84517	0.82758	0.81036	0.79350	0.77699
DISCOUNTED CASH FLOW		$8,629,430	($2,585,158)	$218,715	$1,667,835	$1,659,413	$1,650,456	$2,024,671	$2,940,217	$1,053,281	$0	$0	$0	$0
	VALUE CONCLUSION	**$8,629,000**												
IRR (VALUE CONCLUSION RELATIVE TO PROJECT RETURN)	24.13%	$8,629,430	($2,640,092)	$500,270	$2,206,392	$2,237,270	$2,267,981	$2,733,792	$3,845,661	$1,414,297	$0	$0	$0	$0

DISCOUNTED CASH FLOW ANALYSIS – UNIT 4

REVENUE AND SALES	Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12
SALES	11	0	7	11	11	11	11	11	11	11	11	11	10	0
UNSOLD INVENTORY		116	109	98	87	76	65	54	43	32	21	10	0	0
CLOSE OF ESCROW		0	0	7	11	11	11	11	11	11	11	11	11	10
UNCLOSED INVENTORY			116	116	109	98	87	76	65	54	43	32	21	10
		Total												
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)	*$480,000*	$55,680,000	$3,360,000	$5,280,000	$5,280,000	$5,280,000	$5,280,000	$5,280,000	$5,280,000	$5,280,000	$5,280,000	$5,280,000	$4,800,000	$0
Quarterly Apprecation Factor		*0.58%*	1.0000	1.0058	1.0115	1.0173	1.0232	1.0291	1.0350	1.0410	1.0469	1.0530	1.0590	1.0651
APPRECIATED BASE HOME REVENUE		$57,350,613	$3,360,000	$5,310,360	$5,340,895	$5,371,605	$5,402,491	$5,433,556	$5,464,799	$5,496,221	$5,527,825	$5,559,610	$5,083,252	$0
APPRECIATED CLOSING BASE HOME REVENUE		$57,350,613	$0	$3,360,000	$5,310,360	$5,340,895	$5,371,605	$5,402,491	$5,433,556	$5,464,799	$5,496,221	$5,527,825	$5,559,610	$5,083,252
LOT PREMIUM REVENUE	*$9,600*	$1,113,600	$0	$67,200	$105,600	$105,600	$105,600	$105,600	$105,600	$105,600	$105,600	$105,600	$105,600	$96,000
OPTION REVENUE	*$24,000*	$2,784,000	$0	$168,000	$264,000	$264,000	$264,000	$264,000	$264,000	$264,000	$264,000	$264,000	$264,000	$240,000
MODEL RECAPTURE	*$1,293*	$150,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$150,000
TOTAL REVENUE		$61,398,213	$0	$3,595,200	$5,679,960	$5,710,495	$5,741,205	$5,772,091	$5,803,156	$5,834,399	$5,865,821	$5,897,425	$5,929,210	$5,569,252
EXPENSES AND CASH FLOWS														
PAID AT CLOSING														
SALES COMMISSIONS (% OF TOTAL REVENUE)	*3.00%*	$1,841,946	$0	$107,856	$170,399	$171,315	$172,236	$173,163	$174,095	$175,032	$175,975	$176,923	$177,876	$167,078
CLOSING, TITLE, ESCROW (% OF TOTAL REVENUE)	*0.25%*	$153,496	$0	$8,988	$14,200	$14,276	$14,353	$14,430	$14,508	$14,586	$14,665	$14,744	$14,823	$13,923
WARRANTY (% OF TOTAL REVENUE)	*1.00%*	$613,982	$0	$35,952	$56,800	$57,105	$57,412	$57,721	$58,032	$58,344	$58,658	$58,974	$59,292	$55,693
SUBTOTAL:		$2,609,424	$0	$152,796	$241,398	$242,696	$244,001	$245,314	$246,634	$247,962	$249,297	$250,641	$251,991	$236,693
FINANCABLE														
DIRECT CONSTRUCTION COSTS	*$184,800*	$21,436,800	$1,540,000	$1,786,400	$2,032,800	$2,032,800	$2,032,800	$2,032,800	$2,032,800	$2,032,800	$2,032,800	$1,971,200	$1,293,600	$616,000
Quarterly Rate of Apprecation		*0.50%*	1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407	1.0459	1.0511	1.0564
APPRECIATED DIRECT CONSTRUCTION COSTS		$21,997,167	$1,540,000	$1,795,332	$2,053,179	$2,063,445	$2,073,762	$2,084,131	$2,094,551	$2,105,024	$2,115,549	$2,061,699	$1,359,755	$650,740
BUILDING PERMITS AND FEES (FIXED)	*$57,000*	$6,612,000	$399,000	$627,000	$627,000	$627,000	$627,000	$627,000	$627,000	$627,000	$627,000	$627,000	$570,000	$0
OPTION COSTS	*65%*	$1,809,600	$0	$109,200	$171,600	$171,600	$171,600	$171,600	$171,600	$171,600	$171,600	$171,600	$171,600	$156,000
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)	*3.50%*	$2,148,937	$179,078	$179,078	$179,078	$179,078	$179,078	$179,078	$179,078	$179,078	$179,078	$179,078	$179,078	$179,078
MARKETING (% OF TOTAL REVENUE)	*1.50%*	$920,973	$76,748	$76,748	$76,748	$76,748	$76,748	$76,748	$76,748	$76,748	$76,748	$76,748	$76,748	$76,748
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/ETC.)	*4.50%*	$2,762,920	$230,243	$230,243	$230,243	$230,243	$230,243	$230,243	$230,243	$230,243	$230,243	$230,243	$230,243	$230,243
MODEL COSTS (FIXED)	*$3,233*	$375,000	$375,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	*$1,392*	$291,274	$40,371	$40,371	$37,935	$34,107	$30,884	$26,979	$23,074	$19,169	$15,570	$11,587	$7,604	$3,621
DIRECT LEVIES (FIXED)	*$12*	$2,481	$348	$348	$327	$294	$261	$228	$195	$162	$129	$96	$63	$30
SPECIAL TAXES	*$2,775*	$573,731	$80,475	$80,475	$75,619	$67,988	$60,356	$52,725	$45,094	$37,463	$29,831	$22,200	$14,569	$6,938
HOA (FIXED)	*$0*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$37,494,083	$2,921,264	$3,138,796	$3,451,729	$3,450,502	$3,449,933	$3,448,732	$3,447,584	$3,446,487	$3,445,749	$3,380,251	$2,609,660	$1,303,397
TOTAL EXPENSES		$40,103,507	$2,921,264	$3,291,592	$3,693,127	$3,693,198	$3,693,934	$3,694,046	$3,694,218	$3,694,449	$3,695,046	$3,630,892	$2,861,651	$1,540,091
NET INCOME/PROJECT RETURN		$21,294,706	($2,921,264)	$303,608	$1,986,833	$2,017,296	$2,047,271	$2,078,045	$2,108,938	$2,139,949	$2,170,775	$2,266,533	$3,067,558	$4,029,161
NET PROFIT	**7.50%**	$4,604,866	$0	$269,640	$425,997	$428,287	$430,590	$432,907	$435,237	$437,580	$439,937	$442,307	$444,691	$417,694
NET INCOME AFTER PROFIT		$16,689,840	($2,921,264)	$33,968	$1,560,836	$1,589,009	$1,616,681	$1,645,139	$1,673,701	$1,702,370	$1,730,839	$1,824,226	$2,622,868	$3,611,468
DISCOUNT RATE (COST OF FUNDS)	**8.50%**	Factor	0.97919	0.95882	0.93887	0.91933	0.90020	0.88147	0.86313	0.84517	0.82758	0.81036	0.79350	0.77699
DISCOUNTED CASH FLOW		$13,685,235	($2,860,478)	$32,569	$1,465,416	$1,460,825	$1,455,338	$1,450,140	$1,444,619	$1,438,790	$1,432,412	$1,478,284	$2,081,247	$2,806,072
	VALUE CONCLUSION	**$13,685,000**												
IRR (VALUE CONCLUSION RELATIVE TO PROJECT RETURN)	20.39%	$13,685,235	($2,921,264)	$303,608	$1,986,833	$2,017,296	$2,047,271	$2,078,045	$2,108,938	$2,139,949	$2,170,775	$2,266,533	$3,067,558	$4,029,161

CONCLUSIONS OF LOT VALUE – DISCOUNTED CASH FLOW ANALYSIS

The values as finished via the subdivision development method are restated below.

DISCOUNTED CASH FLOW ANALYSIS CONCLUSIONS			
Description/Status	No. Of Lots	Conclusion	Per Lot
Unit 1 - 5,000 SF (Traditional)	59	**$8,620,000**	$146,102
Unit 2 - 4,500 SF (Traditional)	118	**$16,477,000**	$139,636
Unit 3 - 3,500 SF (Traditional)	66	**$8,629,000**	$130,742
Unit 4 - 3,375 SF (Traditional)	116	**$13,685,000**	$117,974

SALES COMPARISON APPROACH - LOTS

In addition to the subdivision development method, we also utilize the sales comparison approach in the subject's land valuation. This value estimate assumes the subject property would sell on a bulk, or wholesale, basis. That is, it would transfer in one transaction to a single buyer.

The sales comparison approach develops an indication of value by comparing the subject to sales of similar properties. The steps taken to apply this approach are:

- Identify relevant property sales;
- Research, assemble, and verify pertinent data for the most relevant sales;
- Analyze the sales for material differences in comparison to the subject;
- Reconcile the analysis of the sales into a value indication for the subject.

On the following page, we have arrayed comparable land sales that have occurred in the area.

The basis of analysis is price per lot, which is the predominant unit of comparison in the subject's area.

SUMMARY OF COMPARABLE LAND SALES

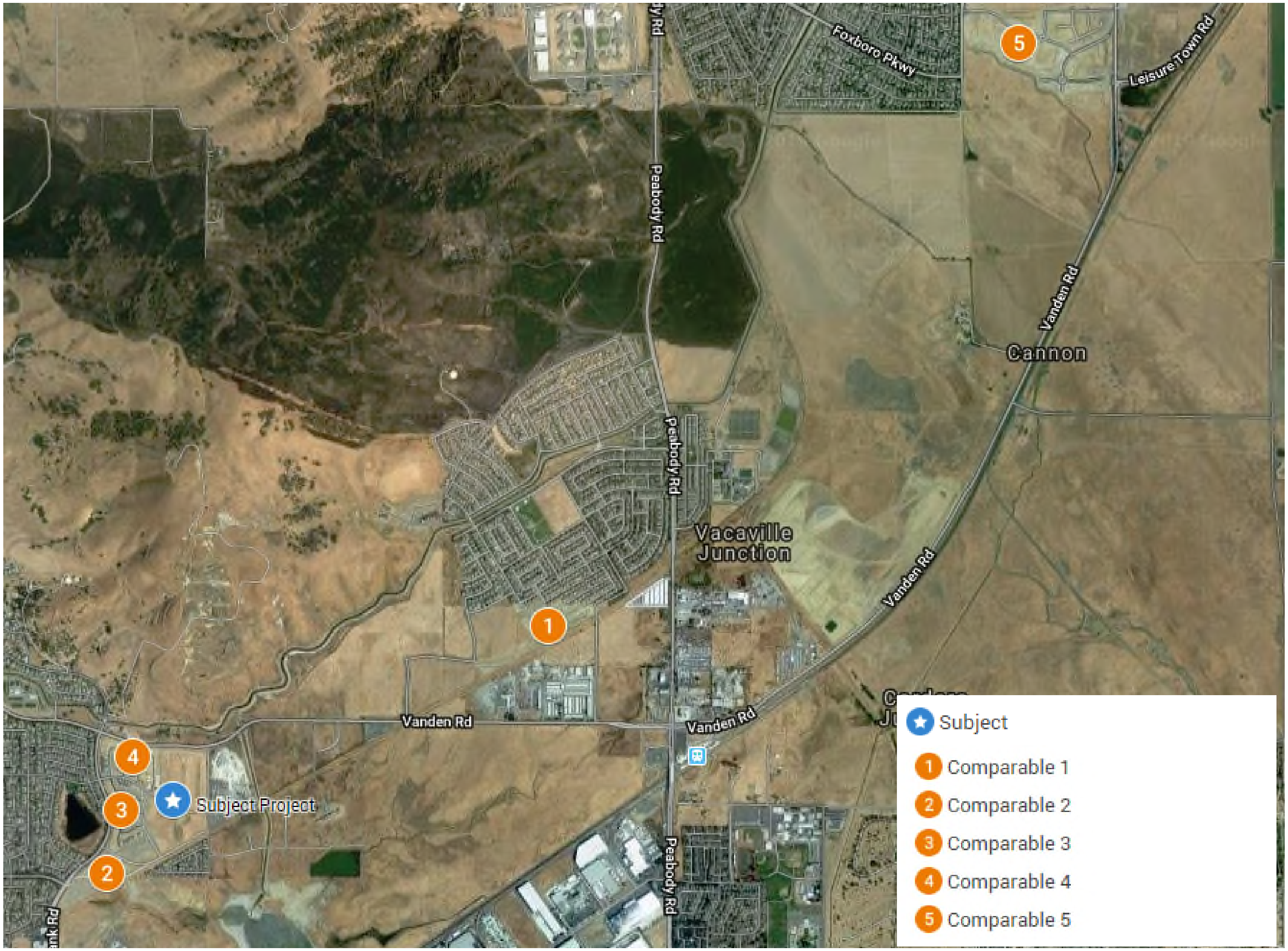
No.	Property/Confirmation	Grantor Grantee *Confirmation*	Sale Date Doc No. Property Rights Sale Conditions/Financing	Lot Status at Sale Configuration Lot Size (±SF); No. of Lots	Sale Price	Price/Lot
1	Goldridge	Northeast Land Company	7/14/2017	Unimproved	$3,700,000	$41,111
	W. of Noonan Ln., S. of Sheldon Dr.	Meritage Homes	1700058740	Traditional		
	Fairfield, Solano	*Confirmation: Buyer*	Fee Simple	3,832	Remaining Site Development Costs:	$80,000
	APN: 0166-110-050 et al	*Confirmed by: Jarrod Hodgson*	Market/All cash to seller	90	Permits and Fees at Building Permit:	$65,000
		Inspected by: Jarrod Hodgson				
	This village is located just west of the Goldridge community. The property contains 14 7,000 SF lots 76 of 3,250 SF. Permits and fees are net of an expected $10K/lot SCIP reimbursement.					
2	The Villages (Village 1, Unit 4)	Rancho Tolenas Corp	3/28/2018	Blue-Topped	$8,572,500	$64,455
	SEQ Manuel Campos Pkwy and Clay Bank Rd.	Tri Pointe Homes, Inc.	201800021459	Traditional		
	Fairfield, Solano	*Confirmation: Seller*	Fee Simple	3,375	Remaining Site Development Costs:	$30,000
	APN: 0170-010-480	*Confirmed by: Jarrod Hodgson*	Market/All cash to seller	133	Permits and Fees at Building Permit:	$57,000
		Inspected by: Jarrod Hodgson				
	This is a subject property sale, as previously described. The fees indicated reflects fees at time of negotiation.					
3	The Villages (Village 1, Unit 3)	Rancho Tolenas Corp	3/2/2018	Blue-Topped	$6,606,000	$71,032
	SEQ Manuel Campos Pkwy and Clay Bank Rd.	Richmond American	201800014954	Traditional		
	Fairfield, Solano	*Confirmation: Seller*	Fee Simple	3,500	Remaining Site Development Costs:	$30,000
	APN: 0170-010-450	*Confirmed by: Jarrod Hodgson*	Market/All cash to seller	93	Permits and Fees at Building Permit:	$56,000
		Inspected by: Jarrod Hodgson				
	This is a subject property sale, as previously described. The fees indicated reflects fees at time of negotiation.					
4	The Villages (Village 1, Unit 1)	Rancho Tolenas Corp	4/20/2018	Finished	$11,919,000	$137,000
	SEQ Manuel Campos Pkwy and Clay Bank Rd.	Discovery Homes	201800026794	Traditional		
	Fairfield, Solano	*Confirmation: Seller*	Fee Simple	5,000	Remaining Site Development Costs:	$0
	APN: 0170-010-430	*Confirmed by: Jarrod Hodgson*	Market/All cash to seller	87	Permits and Fees at Building Permit:	$61,000
		Inspected by: Jarrod Hodgson				
	This is a subject property sale, as previously described. The fees indicated reflects fees at time of negotiation.					

SUMMARY OF COMPARABLE LAND SALES (Page 2 of 2)

No.	Property/Confirmation	Grantor Grantee *Confirmation*	Sale Date Doc No. Property Rights Sale Conditions/Financing	Lot Status at Sale Configuration Lot Size (±SF); No. of Lots	Sale Price	Price/Lot
5	Vanden Estates (Montera)	Vanden Solutions	2/19/2019	Finished	$4,836,000	$156,000
	E. side of Vanden Rd. at Leisure Town Rd.	Richmond American	201900009040	Traditional	*(allocated)*	
	Vacaville, Solano	*Confirmation: Selling Broker*	Fee Simple	5,000	Remaining Site Development Costs:	$0
	APN: 0137-050-180, -190, -200	*Confirmed by: Jarrod Hodgson*	Market/All cash to seller	31	Permits and Fees at Building Permit:	$71,000
		Inspected by: Jarrod Hodgson				

This comparable is an allocated 31 lot-portion of an larger 89 lot takedown consisting of three lot size categories (each planned for its own product line). The total price for the 89 lots was $14,795,000. The 89 lots were marketed with 37 nearby lots (Casa Dei Venti) in mid-2018. Both properties sold to the same buyer with separate product lines developed on each. This 89-lot transaction is the first of two planned takedowns. The second takedown consists of 119 lots and is planned to close in November 2019. The takedowns have level lot pricing. This 89-lot property will represent the first phase of three separate product lines. 31 lots (5,000 SF min) are being developed with a project called Monterra and had an allocated price of $156,000/finished lot.

COMPARABLES MAP



ADJUSTMENT FACTORS

Adjustments are based on our rating of each comparable sale in relation to the subject. If the comparable is superior to the subject, its sale price is adjusted downward to reflect the subject's relative inferiority; if the comparable is inferior, its price is adjusted upward. The adjustable elements of comparison are:

EFFECTIVE SALE PRICE/EXPENDITURES AFTER SALE

For subdivision land, expenditures after sale typically include site development costs, permits and fees, and atypical holding costs such as Special Taxes or association fees. For subdivisions where site development is complete and final subdivision map has recorded, expenditures typically pertain to permits and fees due at building permit and holding costs.

<u>Finished Lot Analysis</u> - We apply adjustments for remaining site development costs (if any) on a dollar-for-dollar basis. That is, comparables will be analyzed on a finished lot-basis, where any remaining site development costs are added to the lot price to yield a price that reflects the total consideration. Added along with site development costs is a profit allocation estimated at 10% of site development costs.

<u>Adjustments for Permits and Fees</u> – Adjustments for permits and fees are applied on a dollar-for-dollar basis, since builder buyers typically consider these fees on this basis when making land purchasing decisions.

<u>Adjustments for Taxes</u> – Like in the home valuation section, we consider the impact of different tax structures (including the impact of the CFD) between the comparables and subject. We've considered anticipated tax differences at the completed home stage on home value, and considered the impact of home pricing differences on underlying lot value. Comparables 1 and 5 have superior (lower) taxes and receive downward adjustments. Comparables 2 through 4 are from the subject project and do not require adjustments.

REAL PROPERTY RIGHTS CONVEYED

This adjustment is generally applied to reflect the transfer of property rights different from those being appraised, such as differences between properties owned in fee simple and in leased fee. In this analysis, no adjustments are required.

FINANCING TERMS

This adjustment is generally applied to a property that transfers with atypical financing, such as having assumed an existing mortgage at a favorable interest rate. Conversely, a property may be encumbered with an above-market mortgage which has no prepayment clause or a very costly prepayment clause. Such atypical financing often plays a role in the negotiated sale price. Adjustments do not apply.

CONDITIONS OF SALE

This adjustment category reflects extraordinary motivations of the buyer or seller to complete the sale. Examples include a purchase for assemblage involving anticipated incremental value or a quick sale for cash. This adjustment category may also reflect a distress-related sale, or a corporation recording a non-market price. Adjustments for this factor do not apply.

TIME - MARKET CONDITIONS

Real estate values normally change over time. The rate of change fluctuates due to investors' perceptions of prevailing market conditions. This adjustment category reflects value changes, if any, that have occurred between the date of the sale and the effective date of the appraisal. We've considered the effect that home price changes have had on lot value. Comparables 1 through 4 are dated transactions, with Comparable 1 having sold in 2017 and Comparables 2, 3 and 4 being negotiated in late 2016/early 2017. While lot pricing has steadied over the last few months amid headwinds experienced in 2018, prices today are higher than 2017. The comparables are adjusted upward at a rate of 0.25%/month. Note that since Comparables 2, 3 and 4 had long contract periods, the market conditions adjustment is applied to the estimated date of contract (November 1, 2016). Comparable 5 is a recent transaction and does not require a market conditions adjustment.

LOCATION

The subject and comparables are located in the same submarket/market area. Regional location adjustments do not apply. Note that Comparable 1 has slightly inferior community appeal as a result of its positioning near industrial development. An upward adjustment is applied.

NUMBER OF LOTS/PROJECT SIZE

Generally, there is an indirect relationship between project size and price per lot. The subject units vary in size from 59 lots (Unit 1) to 118 lots (Unit 2). The comparables are adjustment upward or downward, accordingly, based on the subject unit being analyzed. Note that Comparable 5 is 31 lots allocated from a larger 89-lot purchase; however, the buyer is developing three product lines within these 89 lots, and another phased takedown will occur later this year. Thus, effectively the price analyzed represented the value of 31 lots. Therefore, a downward adjustment is applied.

BASE LOT SIZE

The subject units range in size from 3,375 SF (Unit 4) to 5,000 SF (Unit 1). The comparables are analyzed relative to the subject's lot size categories. We have considered paired sales to assist with the determination of a lot size adjustment factor, as well as market participant interviews. For each comparable, we estimate and apply a lot size adjustment factor (shown in grid) to the difference in lot area between the comparable and subject. The lot size adjustment factors applied as finished lots are slightly less than the factors applied previously for completed homes.

LOT PREMIUMS

As stated, Unit 3 contains a large amount of lots above the minimum lot size and lot premiums are above average as a result (around 3% of base home value). The other subject units and comparables (except for the comparable representing the Unit 3 subject sale) are average in regard to lot premiums. Minor adjustments are applied accordingly based on the unit under consideration.

ZONING/ENTITLEMENTS

The subject and comparables have similar zoning and entitlements. Adjustments for this factor do not apply.

ADJUSTMENT GRIDS

The following grids summarize the before-discussed adjustments (four grids, one grid for each area).

ADJUSTMENT GRID – 59 FINISHED LOTS IN UNIT 1

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name		Goldridge	The Villages	The Villages	The Villages	Vanden Estates
City		Fairfield	Fairfield	Fairfield	Fairfield	Vacaville
Sale Date		Jul-17	Mar-18	Mar-18	Apr-18	Feb-19
No. Of Lots	59	90	133	93	87	31
Min. Lot Size	5,000	3,832	3,375	3,500	5,000	5,000
Applicable Lot Size Adj. Factor ($/SF)		$20	$20	$20	$20	$20
Lot Price		$41,111	$64,455	$71,032	$137,000	$156,000
Remaining Site Dev. Costs	$0	$80,000	$30,000	$30,000	$0	$0
Profit on Completing Site Development	10.00%	$8,000	$3,000	$3,000	$0	$0
Finished Lot Price Basis		**$129,111**	**$97,455**	**$104,032**	**$137,000**	**$156,000**
Permits and Fees	$61,000	$65,000	$57,000	$56,000	$61,000	$71,000
$ Adjustment		$4,000	-$4,000	-$5,000	$0	$10,000
Direct Levies	$4,046	$2,200	$3,652	$3,577	$4,077	$2,300
$ Adjustment		-$7,000	$0	$0	$0	-$7,000
Interim Adjusted Finished Lot Price		$126,111	$93,455	$99,032	$137,000	$159,000
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		–	–	–	–	–
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
% Adjustment		–	–	–	–	–
Conditions of Sale	Market	Similar	Similar	Similar	Similar	Similar
% Adjustment		–	–	–	–	–
Market Conditions	Apr-19	Jul-17	Mar-18	Mar-18	Apr-18	Feb-19
Annual % Adjustment		5.25%	7.50%	7.50%	7.50%	–
Cumulative Adjusted Price		$132,732	$100,464	$106,460	$147,275	$159,000
Location - Regional		–	–	–	–	–
Location - Specific		5%	–	–	–	–
No. Of Lots		–	5%	–	–	-2%
Min. Lot Size		18%	32%	28%	–	–
Lot Premiums	Avg.	–	3%	–	–	–
Entitlements	In Place	–	–	–	–	–
Other - Product Type	Traditional	–	–	–	–	–
Other		–	–	–	–	–
Net $ Adjustment		$30,360	$40,500	$30,000	$0	-$3,000
Net % Adjustment		23%	40%	28%	0%	-2%
Final Adjusted Price		$163,092	$140,964	$136,460	$147,275	$156,000
Overall Adjustment (After Site Costs/Fees/Bonds)		29%	51%	38%	8%	-2%

Unadjusted Range - Raw Data	$41,111 to $156,000
Unadjusted - Finished Lot Basis	$97,455 to $156,000
Adjusted - Finished Lot Basis	$136,460 to $163,092
Average:	$148,758
Indicated Value	**$149,000**

ADJUSTMENT GRID – 118 FINISHED LOTS IN UNIT 2

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name		Goldridge	The Villages	The Villages	The Villages	Vanden Estates
City		Fairfield	Fairfield	Fairfield	Fairfield	Vacaville
Sale Date		Jul-17	Mar-18	Mar-18	Apr-18	Feb-19
No. Of Lots	118	90	133	93	87	31
Min. Lot Size	4,500	3,832	3,375	3,500	5,000	5,000
Applicable Lot Size Adj. Factor ($/SF)		$20	$20	$20	$20	$20
Lot Price		$41,111	$64,455	$71,032	$137,000	$156,000
Remaining Site Dev. Costs	$0	$80,000	$30,000	$30,000	$0	$0
Profit on Completing Site Development	10.00%	$8,000	$3,000	$3,000	$0	$0
Finished Lot Price Basis		**$129,111**	**$97,455**	**$104,032**	**$137,000**	**$156,000**
Permits and Fees	$58,000	$65,000	$57,000	$56,000	$61,000	$71,000
$ Adjustment		$7,000	-$1,000	-$2,000	$3,000	$13,000
Direct Levies	$3,867	$2,200	$3,652	$3,577	$4,077	$2,300
$ Adjustment		-$7,000	$0	$0	$0	-$7,000
Interim Adjusted Finished Lot Price		$129,111	$96,455	$102,032	$140,000	$162,000
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		–	–	–	–	–
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
% Adjustment		–	–	–	–	–
Conditions of Sale	Market	Similar	Similar	Similar	Similar	Similar
% Adjustment		–	–	–	–	–
Market Conditions	Apr-19	Jul-17	Mar-18	Mar-18	Apr-18	Feb-19
Annual % Adjustment		5.25%	7.50%	7.50%	7.50%	–
Cumulative Adjusted Price		$135,889	$103,689	$109,685	$150,500	$162,000
Location - Regional		–	–	–	–	–
Location - Specific		5%	–	–	–	–
No. Of Lots		–	–	–	–	-5%
Min. Lot Size		10%	22%	18%	-7%	-6%
Lot Premiums	Avg.	–	-3%	–	–	–
Entitlements	In Place	–	–	–	–	–
Other - Product Type	Traditional	–	–	–	–	–
Other		–	–	–	–	–
Net $ Adjustment		$20,360	$19,500	$20,000	-$10,000	-$17,500
Net % Adjustment		15%	19%	18%	-7%	-11%
Final Adjusted Price		$156,249	$123,189	$129,685	$140,500	$144,500
Overall Adjustment (After Site Costs/Fees/Bonds)		21%	28%	27%	0%	-11%

Unadjusted Range - Raw Data	$41,111 to $156,000
Unadjusted - Finished Lot Basis	$97,455 to $156,000
Adjusted - Finished Lot Basis	$123,189 to $156,249
Average:	$138,825
Indicated Value	**$139,000**

ADJUSTMENT GRID – 66 FINISHED LOTS IN UNIT 3

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name		Goldridge	The Villages	The Villages	The Villages	Vanden Estates
City		Fairfield	Fairfield	Fairfield	Fairfield	Vacaville
Sale Date		Jul-17	Mar-18	Mar-18	Apr-18	Feb-19
No. Of Lots	66	90	133	93	87	31
Min. Lot Size	3,500	3,832	3,375	3,500	5,000	5,000
Applicable Lot Size Adj. Factor ($/SF)		$20	$20	$20	$20	$20
Lot Price		$41,111	$64,455	$71,032	$137,000	$156,000
Remaining Site Dev. Costs	$0	$80,000	$30,000	$30,000	$0	$0
Profit on Completing Site Development	10.00%	$8,000	$3,000	$3,000	$0	$0
Finished Lot Price Basis		**$129,111**	**$97,455**	**$104,032**	**$137,000**	**$156,000**
Permits and Fees	$56,000	$65,000	$57,000	$56,000	$61,000	$71,000
$ Adjustment		$9,000	$1,000	$0	$5,000	$15,000
Direct Levies	$3,589	$2,200	$3,652	$3,577	$4,077	$2,300
$ Adjustment		-$7,000	$0	$0	$0	-$7,000
Interim Adjusted Finished Lot Price		$131,111	$98,455	$104,032	$142,000	$164,000
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		–	–	–	–	–
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
% Adjustment		–	–	–	–	–
Conditions of Sale	Market	Similar	Similar	Similar	Similar	Similar
% Adjustment		–	–	–	–	–
Market Conditions	Apr-19	Jul-17	Mar-18	Mar-18	Apr-18	Feb-19
Annual % Adjustment		5.25%	7.50%	7.50%	7.50%	–
Cumulative Adjusted Price		$137,994	$105,839	$111,835	$152,650	$164,000
Location - Regional		–	–	–	–	–
Location - Specific		5%	–	–	–	–
No. Of Lots		–	5%	–	–	-2%
Min. Lot Size		-5%	2%	–	-20%	-18%
Lot Premiums	Above Avg.	2%	–	3%	2%	2%
Entitlements	In Place	–	–	–	–	–
Other - Product Type	Traditional	–	–	–	–	–
Other		–	–	–	–	–
Net $ Adjustment		$3,360	$7,500	$3,000	-$27,000	-$30,000
Net % Adjustment		2%	7%	3%	-18%	-18%
Final Adjusted Price		$141,354	$113,339	$114,835	$125,650	$134,000
Overall Adjustment (After Site Costs/Fees/Bonds)		8%	15%	10%	-12%	-18%

Unadjusted Range - Raw Data	$41,111 to $156,000
Unadjusted - Finished Lot Basis	$97,455 to $156,000
Adjusted - Finished Lot Basis	$113,339 to $141,354
Average:	$125,836
Indicated Value	**$126,000**

ADJUSTMENT GRID – 116 FINISHED LOTS IN UNIT 4

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name		Goldridge	The Villages	The Villages	The Villages	Vanden Estates
City		Fairfield	Fairfield	Fairfield	Fairfield	Vacaville
Sale Date		Jul-17	Mar-18	Mar-18	Apr-18	Feb-19
No. Of Lots	116	90	133	93	87	31
Min. Lot Size	3,375	3,832	3,375	3,500	5,000	5,000
Applicable Lot Size Adj. Factor ($/SF)		$20	$20	$20	$20	$20
Lot Price		$41,111	$64,455	$71,032	$137,000	$156,000
Remaining Site Dev. Costs	$0	$80,000	$30,000	$30,000	$0	$0
Profit on Completing Site Development	10.00%	$8,000	$3,000	$3,000	$0	$0
Finished Lot Price Basis		**$129,111**	**$97,455**	**$104,032**	**$137,000**	**$156,000**
Permits and Fees	$57,000	$65,000	$57,000	$56,000	$61,000	$71,000
$ Adjustment		$8,000	$0	-$1,000	$4,000	$14,000
Direct Levies	$3,589	$2,200	$3,652	$3,577	$4,077	$2,300
$ Adjustment		-$7,000	$0	$0	$0	-$7,000
Interim Adjusted Finished Lot Price		$130,111	$97,455	$103,032	$141,000	$163,000
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		–	–	–	–	–
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
% Adjustment		–	–	–	–	–
Conditions of Sale	Market	Similar	Similar	Similar	Similar	Similar
% Adjustment		–	–	–	–	–
Market Conditions	Apr-19	Jul-17	Mar-18	Mar-18	Apr-18	Feb-19
Annual % Adjustment		5.25%	7.50%	7.50%	7.50%	–
Cumulative Adjusted Price		$136,942	$104,764	$110,760	$151,575	$163,000
Location - Regional		–	–	–	–	–
Location - Specific		5%	–	–	–	–
No. Of Lots		–	–	–	–	-5%
Min. Lot Size		-7%	–	-2%	-21%	-20%
Lot Premiums	Avg.	–	-3%	–	–	–
Entitlements	In Place	–	–	–	–	–
Other - Product Type	Traditional	–	–	–	–	–
Other		–	–	–	–	–
Net $ Adjustment		-$2,140	-$3,000	-$2,500	-$32,500	-$40,000
Net % Adjustment		-2%	-3%	-2%	-21%	-25%
Final Adjusted Price		$134,802	$101,764	$108,260	$119,075	$123,000
Overall Adjustment (After Site Costs/Fees/Bonds)		4%	4%	5%	-16%	-25%

Unadjusted Range - Raw Data	$41,111 to $156,000
Unadjusted - Finished Lot Basis	$97,455 to $156,000
Adjusted - Finished Lot Basis	$101,764 to $134,802
Average:	$117,380
Indicated Value	**$117,000**

CONCLUSIONS OF LOT VALUE – SALES COMPARISON APPROACH

The value conclusions from the sales comparison approach for the subject lots (as finished) are stated below. In reconciling to value conclusions from the comparable data, we concluded toward the average of the adjusted range. While Comparables 2, 3 and 4 were from the subject project and received upward adjustments for market conditions (negotiated in late 2018), Comparables 1 and 6 had adusted values that were higher. Comparable 1 is a nearby but dated (2017) sale. Comparable 6 is a nearby (S. Vacaville) recent sale.

SALES COMPARISON APPROACH CONCLUSIONS

Description/Status	No. Of Lots	Conclusion Per Lot	Total
Unit 1 - 5,000 SF (Traditional)	59	$149,000	$8,791,000
Unit 2 - 4,500 SF (Traditional)	118	$139,000	$16,402,000
Unit 3 - 3,500 SF (Traditional)	66	$126,000	$8,316,000
Unit 4 - 3,375 SF (Traditional)	116	$117,000	$13,572,000

RECONCILIATION AND CONCLUSIONS OF LOT VALUE

Two methods were used in the valuation of the subject. The results of these methods are summarized as follows.

QUALTY OF ANALYSIS BY APPROACH

Subdivision Development Method	Result	Comment
Reliability/Availability of Home Price Data	Good	Subject project sales and nearby resales
Reliability/Availability of Absorption Data	Good	Estimate supported by regional data and local project sales
Reliability/Availability of Expense/Cost Data	Good	Cost comparables for direct/in direct costs available; total costs market supported.
Reasonableness of Discount Rate/Profit	Good	Supported by regional and national surveys
Overall	**Above Average**	**Requires Consideration**

Sales Comparison Approach	Result	Comment
Availability of Recent Sales	Avg.	1 recent sale
Proximity of Sales to Subject	Good	All in general vicinity
Availability of Similar Projects	Good	All were within 3,000 to 5,000 SF
Availability/Reliability of Comparable Cost/Fee Data	Good	Site costs and fees were provided by knowledgeable parties
Overall	**Above Average**	**Requires Consideration**

The subdivision development method and sales comparison approach both require consideration. The subdivision development method is slightly better supported, but both approaches yield very similar valuation conclusions. Therefore, conclude to final values that are near the midpoints of the two appoaches to value, as shown below.

SUMMARY OF LOT VALUE CONCLUSIONS

Area and Owner	No. Of Lots	Subdivision Development Method	Sales Comparison Approach	**Conclusion of Value As Finished**
Unit 1 - 5,000 SF (Traditional)	59	$8,620,000	$8,791,000	$8,706,000
Discovery Homes	Per Lot:	($146,102)	($149,000)	($147,559)
Unit 2 - 4,500 SF (Traditional)	118	$16,477,000	$16,402,000	$16,440,000
Rancho Tolenas Corp.	Per Lot:	($139,636)	($139,000)	($139,322)
Unit 3 - 3,500 SF (Traditional)	66	$8,629,000	$8,316,000	$8,473,000
Richmond American Homes	Per Lot:	($130,742)	($126,000)	($128,379)
Unit 4 - 3,375 SF (Traditional)	116	$13,685,000	$13,572,000	$13,629,000
Tri Pointe Homes	Per Lot:	($117,974)	($117,000)	($117,491)

VALUE BY OWNERSHIP

In this section, we account for any remaining site development costs and add the residual (bulk) lot values to the previously estimated bulk home values. The sum of the two bulk values represents the value by ownership (also in bulk).

VILLAGES AT FAIRFIELD LLC (DISCOVERY HOMES)

Site development for the lots in Unit 1 is complete, so deductions for remaining site development do not apply. As stated, this appraisal assigns no contributory value to vertical construction if it does not meet the criteria of "Substantially Completed" as previously defined (interior finishes and landscaping remaining only). There are 18 homes under construction that were not far enough along in construction to be considered "Substantially Completed." While no value is assigned for vertical construction on these homes, there is significant value associated with permits and fees that were paid at building permit on these homes. A builder-buyer of the lots is apt to pay dollar-for-dollar for fees paid (in light of the relatively small number of lots owned by each builder). Using the average fees in Unit 1, we estimate $1,098,000 of fee value, leading to a combined lot value of $9,804,000. The component value of the lots in bulk (with fees paid) combined with the previously estimated bulk value of 4 models and 20 Substantially Completed homes ($3,877,000) leads to a total bulk value of $13,681,000 for the real estate owned by Discovery Homes.

DISCOVERY HOMES

	Value	Comment
Component Value of Lots As If Finished	$8,706,000	Bulk value of 59 finished lots
Less: Remaining site development costs (if any)	$0	
Less: Profit on site development at 10%, if any:	$0	
Component Value of the Lots	$8,706,000	
Plus: Building Permit Fees Paid for Homes Under Construction	$1,098,000	18 homes under construction (excluding Subtantially Completed homes) x $61k/lot avg. fees
Component Value of the Lots Inc. Fees Paid	$9,804,000	
Component Value of Homes	$3,877,000	4 Models and 20 Substantially Completed Homes in Bulk
Total Value by Ownership	$13,681,000	

RANCHO TOLENAS CORP.

The Unit 2 lots owned by the Master Developer are rough-graded, with the cost to complete estimated at $4,720,000. This amount (and profit at 10%) is deducted from the previously estimated value as finished.

Moreover, approximately $150,000 remains to be completed for offsite improvements associated with the Master Developer's sale of Unit 4 to Tri Pointe Homes. The Master Developer is contractually obligated to complete the improvements. As stated in the extraordinary assumptions, this appraisal deducts this expense (and profit) from Unit 2 (the only subject property owned by the Master Developer).

The Master Developer has not built any homes or pre-paid any building permit fees in Unit 2.

RANCHO TOLENAS CORP.

	Value	Description
Component Value of Lots As If Finished	$16,440,000	
Less: Remaining site development costs (if any)	($4,720,000)	
Less: Profit on site development at 10%, if any:	($472,000)	
Less: Offsite obligation in Unit 4	($150,000)	
Less: Profit at 10%:	($15,000)	
Component Value of the Lots	$11,083,000	
Total Value by Ownership	$11,083,000	

RICHMOND AMERICAN HOMES OF MARYLAND INC

The Unit 3 lots owned by Richmond American are finished. There are 22 homes under construction that are not considered "Substantially Completed" yet which have fees paid.

RICHMOND AMERICAN HOMES OF MARYLAND INC

	Value	Comment
Component Value of Lots As If Finished	$8,473,000	Bulk value of 66 finished lots
Less: Remaining site development costs (if any)	$0	
Less: Profit on site development at 10%, if any:	$0	
Component Value of the Lots	$8,473,000	
Plus: Building Permit Fees Paid for Homes Under Construction	$1,232,000	22 homes under construction (excluding Subtantially Completed homes) x $56k/lot avg. fees
Component Value of the Lots Inc. Fees Paid	$9,705,000	
Component Value of Homes	$4,913,000	3 Models and 9 Substantially Completed Homes in Bulk
Total Value by Ownership	$14,618,000	

TRI POINTE HOMES INC.

The Unit 4 lots owned by Tri Pointe Homes

TRI POINTE HOMES INC

	Value	Comment
Component Value of Lots As If Finished	$13,629,000	Bulk value of 116 finished lots
Less: Remaining site development costs (if any)	($165,000)	
Less: Profit on site development at 10%, if any:	($16,500)	
Component Value of the Lots	$13,447,500	
Plus: Building Permit Fees Paid for Homes Under Construction	$1,083,000	19 homes under construction (excluding Subtantially Completed homes) x $57k/lot avg. fees
Component Value of the Lots Inc. Fees Paid	$14,530,500	
Rounded	$14,531,000	
Component Value of Homes	$5,704,000	3 Models and 11 Substantially Completed Homes in Bulk
Total Value by Ownership	$20,235,000	

FINAL OPINIONS OF VALUE

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our value opinions follow:

VALUATION

Ownership	Area	Description	Value by Ownership (1)	
Villages at Fairfield LLC (dba Discovery Homes)	Unit 1	4 completed models, 22 partially completed homes and 41 finished lots	$13,681,000	(not-less than market value in bulk)
Rancho Tolenas Corp. (dba Lewis Group of Companies)	Unit 2	118 rough-graded lots	$11,083,000	(market value in bulk)
Richmond American Homes of Maryland Inc.	Unit 3	3 completed models, 31 partially completed homes, and 44 finished lots	$14,618,000	(not-less than market value in bulk)
Tri Pointe Homes Inc.	Unit 4	3 completed models, 30 partially completed homes, 9 finished lots, 73 near-finished lots and 15 partially finished lots	$20,235,000	(not-less than market value in bulk)
Individual Homeowners	Units 1, 3 and 4	38 completed homes	$19,845,000	(not-less than aggregate value)
			$79,462,000	(not-less-than aggregate value)

(1) Based on the hypothetical condition that the Bonds had just sold

Note: The value for 118 rough-graded lots in Unit 2 reflects the Master Developer's contractual obligation to complete $150,000 in offsite improvements benefitting Unit 4

The values reported above are subject to the extraordinary assumptions, hypothetical conditions, standard assumptions and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the Client and Intended Users may use or rely on the information, opinions and conclusions contained in the report.

EXPOSURE TIME AND MARKETING PERIOD

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current economic conditions. Demand remains high for bulk purchase of lots. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local market, it is our opinion that the probable exposure time is 6 months for the subject lots, based on the concluded value(s) and as of the date of value.

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property. We foresee no significant changes in market conditions in the near term; therefore, it is our opinion that a reasonable marketing period is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 6 months, based on the concluded value(s) and as of the date of value.

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved with this assignment.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
9. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as applicable state laws and regulations.
10. The reported analyses, opinions, and Value Indications were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics, the Standards of Professional Appraisal Practice of the Appraisal Institute.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Jarrod Hodgson, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.
13. Jarrod Hodgson, MAI, conducted an on-site inspection of the property of the subject on April 17, 2019.
14. No one provided significant real property appraisal assistance to the person signing this certification.

J Hodgson

Jarrod Hodgson, MAI
CA Certified General Real Estate Appraiser
No. AG040480
Ph: (916) 949-7362
Email: jhodgson@bbgres.com

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

The value conclusions are subject to the following extraordinary assumptions and hypothetical conditions that may affect the assignment results.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. We relied on land development cost and fees provided by the Master Developer and builders. The budgeted site costs and fees appear reasonable relative to costs at other projects in the area (and costs of comparables analyzed). It is an extraordinary assumption that the said costs and fees are reasonably true and correct. Any substantial changes in costs and fees could have an effect on the value conclusions and the feasibility of development. We assume that competent and professional engineering has been completed and that the cost estimates were prepared by a qualified, professional service.

2. As of the date of value, the Master Developer has a contractual obligation to complete a project entrance on Clay Bank Road at Merriment Place for Tri Pointe Homes in Unit 4 (a condition of that sale). The only subject property owned by the Master Developer is Unit 2 (rough-graded lots). Therefore, for purposes of determining the value of the collective subject property (the residential lots and homes within Units 1 through 4), it is an extraordinary assumption that the Master Developer’s obligation to complete these improvements is connected to the collateral value of subject property it still owns, Unit 2. Therefore, the remaining cost of completing the Merriment Place entrance that benefits Unit 4 has been deducted as a cost obligation of Unit 2 and reflected in the estimated Unit 2 value.

HYPOTHETICAL CONDITIONS

A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. As of the date of value, the Bonds had not been sold. The values estimated herein are based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.

2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.

3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in leased fee unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.

4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.

5. BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.

6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.

7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.

8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during our inspection.

9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.

10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.

11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.

12. Responsible ownership and competent property management are assumed.

13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.

14. The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report.

15. Any division of the and improvement values opined herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.

16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.

17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimates of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

20. BBG, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.

21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.

22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion.

24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof. BBG, Inc. authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.

25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.

26. If this report has been prepared in a so-called “public non-disclosure” state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a “non-disclosure” state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

27. The American Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

28. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.

29. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.

30. The right is reserved by the appraiser to make adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the appraiser or appraisers. The appraiser(s) shall have no responsibility for any unauthorized change(s) to the report.

31. If the client instructions to the appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is

assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

32. The submission of this report constitutes completion of the services authorized. It is submitted on the condition the client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, and judicial or administrative proceedings. In the event the appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the client immediately. The client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.

33. Use of this appraisal report constitutes acknowledgement and acceptance of the general assumptions and limiting conditions, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this opinion of market value is based.

34. If provided, the opinion of insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

ADDENDA

APPRAISER QUALIFICATIONS

Jarrod Hodgson, MAI
Director
Work**:** 916.949.7362

jhodgson@bbgres.com

PROFILE

Jarrod Hodgson is Director of Subdivision Practice – California at BBG. Mr. Hodgson specializes in the valuation of land, transitional land, residential subdivisions and master planned communities. In addition to lender and owner appraisals, many assignments pertain to Assessment or Community Facilities Districts, where local governments sell bonds to assist with the financing of infrastructure. Other clients have included municipal agencies for right-of-way valuation.

Mr. Hodgson is involved is the Sacramento Sierra Chapter of the Appraisal Institute and currently serves on the Executive Committee as Secretary/Treasurer.

Associated with Seevers Jordan Ziegenmeyer from 2003 - mid 2014.

While a graduate student at UC Davis, Mr. Hodgson was a teaching assistant for real estate economics and linear regression analysis. He also was employed by the Institute of Governmental Affairs, where he developed linear regression models to quantify the impact of Mexican government subsidies on migrant-worker remittances in the United States.

Mr. Hodgson was named "Outstanding Senior" while finishing his undergraduate degree, which is awarded to the individual with the strongest potential to contribute to his or her field of study (Agricultural Economics).

PROFESSIONAL AFFILIATIONS & LICENCES

Appraisal Institute, Member (MAI)

Certified General Appraiser:

State of California (License # AG040480)

EDUCATION

Masters of Science, Agricultural & Resource Economics, University of California – Davis
Bachelor of Science, Managerial Economics, University of California – Davis

DEFINITIONS

Definitions

The source of the following definitions is *The Dictionary of Real Estate Appraisal, Fifth Edition,* Appraisal Institute, Chicago, Illinois, 2010, unless otherwise noted.

As Is Market Value
The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value
The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time specified by the client.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date of Appraisal
The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply.

Entitlement
In the context of ownership, use, or development of real property, the right to receive governmental approvals for annexation, zoning, utility extensions, construction permits, and occupancy/use permits. The approval period is usually finite and may require the owner and/or developer to pay impact and/or user fees in addition to other costs to secure the entitlement. Entitlements may be transferable, subject to covenants or government protocols, may constitute vested rights, and may represent an enhancement to a property’s value.

Entrepreneurial Profit
1. A market-derived figure that represents the amount an entrepreneur receives for his or her

contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate
Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)
The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use
The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

Lease
A contract in which rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest
A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e, a lease).

Leasehold Interest
The tenant's possessory interest created by a lease.

Liquidation Value
The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars, or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

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

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

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

Prospective Opinion of Value
A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

BBG

Update Appraisal Report

Improvement Area B of City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)

Residential Subdivision
SEQ of Manuel Campos Pkwy. & Clay Bank Rd.
Fairfield, CA 94533

Prepared For:

Ms. Emily Combs
Finance Director
City of Fairfield
1000 Webster Street
Fairfield, CA 94533

Date of Value:

July 2, 2019

Prepared By:

BBG, Inc., Northern California

BBG, Inc.
Northern California

1708 Q Street
Sacramento, CA 95811

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BBG

July 2, 2019

Ms. Emily Combs
Finance Director
City of Fairfield
1000 Webster Street
Fairfield, CA 94533

RE: Improvement Area B of City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield)
SEQ of Manuel Campos Pkwy. & Clay Bank Rd.
Fairfield, CA 94533

Dear Ms. Combs:

BBG, Inc. – Northern California is pleased to submit an update to our appraisal of Improvement Area B of City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield), or "CFD No. 2016-1 IA B," commonly referred to in this report as "the CFD." On June 13, 2019, we submitted an Appraisal Report (the "original appraisal report") that conformed to the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission. Our original appraisal had an effective date of value of April 17, 2019. **This update appraisal report may only be used in conjunction with our original appraisal report** and must remain attached to the original appraisal report.

As an update report, this document does not present complete discussion of the data, reasoning and analysis, which are contained in the original appraisal report. Rather, the purpose of this update report is to affirm that the appraised value is the same or greater than estimated in the original appraisal report.

The CFD has been established to create a land-secured funding mechanism for authorized facilities. The CFD No. 2016-1 IA B bonds (the "Bonds") will reimburse for eligible facilities completed by Rancho Tolenas Corp. doing business as (dba) Lewis Group of Companies (the "Master Developer").

The subject property for this update report is the same as our original appraisal report. The property is identified as Units 1 through 4 of "The Villages at Fairfield" residential subdivision, which, as of the effective date of the original appraisal report, consisted of 38 completed homes that had sold and transferred to individual homeowners, 10 completed model homes, 83 homes under construction, 94 finished lots, 73 near-finished lots, 15 partially finished lots and 118 rough-graded lots. Ownership in the project was divided between Rancho Tolenas Corp., Villages at Fairfield LLC (dba Discovery Homes), Richmond American Homes of Maryland Inc., Tri Pointe Homes Inc. and 38 individual homeowners. The subject property excludes properties within the CFD not subject to the Special Tax, such as public/quasi public or miscellaneous land.

Since the original appraisal report, Discovery Homes, Richmond American Homes and Tri Pointe Homes have continued build and sell homes, and additional site improvements have been completed. Thus, the owners have since added significant value to the property.

The values estimated in the original appraisal report, and affirmed herein, are based on hypothetical conditions. USPAP defines a hypothetical condition at "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis." As of the date of value, the Bonds had not been sold. The market values are based on the hypothetical condition that, as of the date of value, the Bonds had just been sold and the property was encumbered by Special Taxes as described herein. The market values account for the impact of the lien of the Special Tax securing the Bonds.

In the original appraisal report, we provided market value by ownership, as well as the aggregate value of the subject property. The Dictionary of Real Estate Appraisal defines aggregate value as the "total of multiple of market value conclusions." The aggregate value is not equal to the market value of the subject property in bulk.

As a result of our analysis, it is our opinion the aggregate value of the subject property as of July 2, 2019, and subject to the definitions, assumptions, hypothetical conditions and limiting conditions expressed in the report, is not-less-than the previously concluded values shown below. The ownership division below reflects the subject property as of the date of value of the original appraisal report.

VALUATION

Ownership	Area	Description	Value by Ownership (1)	
Villages at Fairfield LLC (dba Discovery Homes)	Unit 1	4 completed models, 22 partially completed homes and 41 finished lots	$13,681,000	(not-less than market value in bulk)
Rancho Tolenas Corp. (dba Lewis Group of Companies)	Unit 2	118 rough-graded lots	$11,083,000	(market value in bulk)
Richmond American Homes of Maryland Inc.	Unit 3	3 completed models, 31 partially completed homes, and 44 finished lots	$14,618,000	(not-less than market value in bulk)
Tri Pointe Homes Inc.	Unit 4	3 completed models, 30 partially completed homes, 9 finished lots, 73 near-finished lots and 15 partially finished lots	$20,235,000	(not-less than market value in bulk)
Individual Homeowners	Units 1, 3 and 4	38 completed homes	$19,845,000	(not-less than aggregate value)
			$79,462,000	(not-less-than aggregate value)

(1) Based on the hypothetical condition that the Bonds had just sold

Note: The value for 118 rough-graded lots in Unit 2 reflected the Master Developer's contractual obligation to complete $150,000 in offsite improvements benefitting Unit 4

In the original appraisal report, completed/transferred homes and models were valued according to a base amenity level, with no value assigned to upgrades and lot premiums. Homes deemed "Substantially Completed" (which had either interior finishes and/or landscaping remaining) were valued as such; all other partially completed homes were valued as vacant finished lots with building permit fees paid only. For these reasons, certain market values by ownership and the aggregate value were not-less-than estimates.

The estimated values are subject to the following Extraordinary Assumptions and Hypothetical Conditions that may have affected assignment results:

EXTRAORDINARY ASSUMPTIONS (CONTINUED ON FOLLOWING PAGE)

1. We relied on land development cost and fees provided by the Master Developer and builders. The budgeted site costs and fees appear reasonable relative to costs at other projects in the area (and costs of comparables analyzed). It is an extraordinary assumption that the said costs and fees are reasonably true and correct. Any substantial changes in costs and fees could have an effect on the value conclusions and the feasibility of

development. We assume that competent and professional engineering has been completed and that the cost estimates were prepared by a qualified, professional service.

2. As of the date of value of the original appraisal report, the Master Developer had a contractual obligation to complete a project entrance on Clay Bank Road at Merriment Place for Tri Pointe Homes in Unit 4 (a condition of that sale). The only subject property owned by the Master Developer was Unit 2 (rough-graded lots). Therefore, for purposes of determining the value of the collective subject property (the residential lots and homes within Units 1 through 4), in the original appraisal report, it was an extraordinary assumption that the Master Developer's obligation to complete these improvements was connected to the collateral value of subject property it still owned, Unit 2. Therefore, the remaining cost of completing the Merriment Place entrance that benefits Unit 4 was deducted as a cost obligation of Unit 2 and reflected in the estimated Unit 2 value.

HYPOTHETICAL CONDITIONS

1. As of the date of value of this update report, the Bonds had not been sold. The values estimated herein are based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.

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

Respectfully submitted,

BBG, INC. - SACRAMENTO

J Hodgson

Jarrod Hodgson, MAI
Certified General Real Estate Appraiser
CA Certificate # AG040480
Telephone: 916-949-7362
Email: jhodgson@bbgres.co

GENERAL INFORMATION

Property	The subject property is identified as the residential lots and homes within Improvement Area B of City of Fairfield Community Facilities District No. 2016-1 (Villages at Fairfield), or “CFD No. 2016-1 IA B,” commonly referred to in this report as “the CFD.” The subject property is Units 1 through 4 of “The Villages at Fairfield” residential subdivision. The subject property for this update report is the same as our original appraisal report. As of the effective date of the original appraisal report, the subject property consisted of 38 completed homes that had sold and transferred to individual homeowners, 10 completed model homes, 83 homes under construction, 94 finished lots, 73 near-finished lots, 15 partially finished lots and 118 rough-graded lots. Ownership in the project was divided between Rancho Tolenas Corp., Villages at Fairfield LLC (dba Discovery Homes), Richmond American Homes of Maryland Inc., Tri Pointe Homes Inc. and 38 individual homeowners. The subject property excludes properties within the CFD not subject to the Special Tax, such as public/quasi public or miscellaneous land. Since the original appraisal report, Discovery Homes, Richmond American Homes and Tri Pointe Homes have continued build and sell homes, and additional site improvements have been completed. Thus, the owners have since added significant value to the property.
Location	The subject project is located at the southeast quadrant of Manuel Campos Parkway and Clay Bank Road, within the city of Fairfield, Solano County, California 94533.
Ownership	As of the effective date of value of the original appraisal report, 38 completed homes had transferred to individual buyers, which included 20 homes built by Discovery Homes, 15 homes built by Richmond American Homes and 3 homes built by Tri Pointe Homes. Villages at Fairfield LLC (dba Discovery Homes) retained ownership of 4 completed model homes, 22 partially completed homes and 41 finished lots. Richmond American Homes of Maryland Inc. retained ownership of 3 completed model homes, 31 partially completed homes and 44 finished lots. Tri Pointe Homes Inc. retained ownership of 3 completed model homes, 30 partially completed homes, 9 finished lots, 73 near-finished lots and 15 partially finished lots. Rancho Tolenas Corp. retained ownership of 118 rough-graded lots.
Zoning	RLM-5 (Unit 1), RLM-4:5 (Unit 2) and RLM (Units 3 and 4)
Entitlements	Final subdivision maps have recorded for Units 1 (87 lots), 3 (93 lots) and 4 (133 lots). Unit 2 has tentative map approval, as part of a larger map tentative map concept for Village 1 that was approved in 2015. The entitlements are vested by a Second Restated Development Agreement that was authorized for execution on November 17, 2015.
Flood Zone	Zone X – Outside the 500-year floodplain.

Highest and Best Use	Single-family residential development, as currently approved.
Type and Definition of Value	The purpose of this update appraisal is to estimate the not-less-than market value of the subject property.
Client and Intended Use	The client and intended user of this appraisal report is the City of Fairfield, legal counsel and underwriter. This report is intended to assist with bond financing.
Scope of Work	In preparing this update appraisal, we analyzed market data presented in our original appraisal report dated June 13, 2019. In addition, we analyzed current market conditions in the market area of the subject properties, through an analysis of recent market sales and market surveys. This update appraisal report sets forth only the appraiser's conclusions. Supporting documentation is retained in the appraiser's work file.
Date of Inspection	The subject was not re-inspected. The subject property was last inspected on April 17, 2019 (inspection date of original appraisal report).
Date of Value	July 2, 2019
Property Rights Appraised	Fee Simple Estates
Exposure Time / Marketing Time	6 months / 6 months
Prior Services	USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have previously appraised the property that is the subject of this report within the three-year period immediately preceding acceptance of this (update report) assignment.

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed appraisal services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. The original appraisal report was completed on June 13m 2019.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Jarrod Hodgson, MAI did not inspect the subject property for this update appraisal report. However, Mr. Hodgson did inspect the subject property on April 17, 2019, as part of the original appraisal report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Jarrod Hodgson, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.

J Hodgson

Jarrod Hodgson, MAI
Certified General Real Estate Appraiser
CA Certificate # AG040480

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is based on the following assumptions, except as otherwise noted in the report.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos or toxic mold in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal is subject to the following limiting conditions, except as otherwise noted in the report.

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. The intended use of the appraisal is stated in the General Information section of the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is

addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report. BBG, Inc. authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.

12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.

14. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

15. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.

16. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The person signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. BBG, Inc. – Sacramento is not a building or environmental inspector. BBG, Inc. Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusion for an appraisal assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against BBG, Inc., or their respective officers, owners, managers, directors, agents, subcontractors or employees (the "BBG, Inc. Parties"), arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, or any estimates or information contained therein, the BBG, Inc. Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence.

25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. BBG, Inc., and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

26. All prospective value estimates presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

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APPENDIX I

COMMUNITY FACILITIES DISTRICT BOUNDARY MAP

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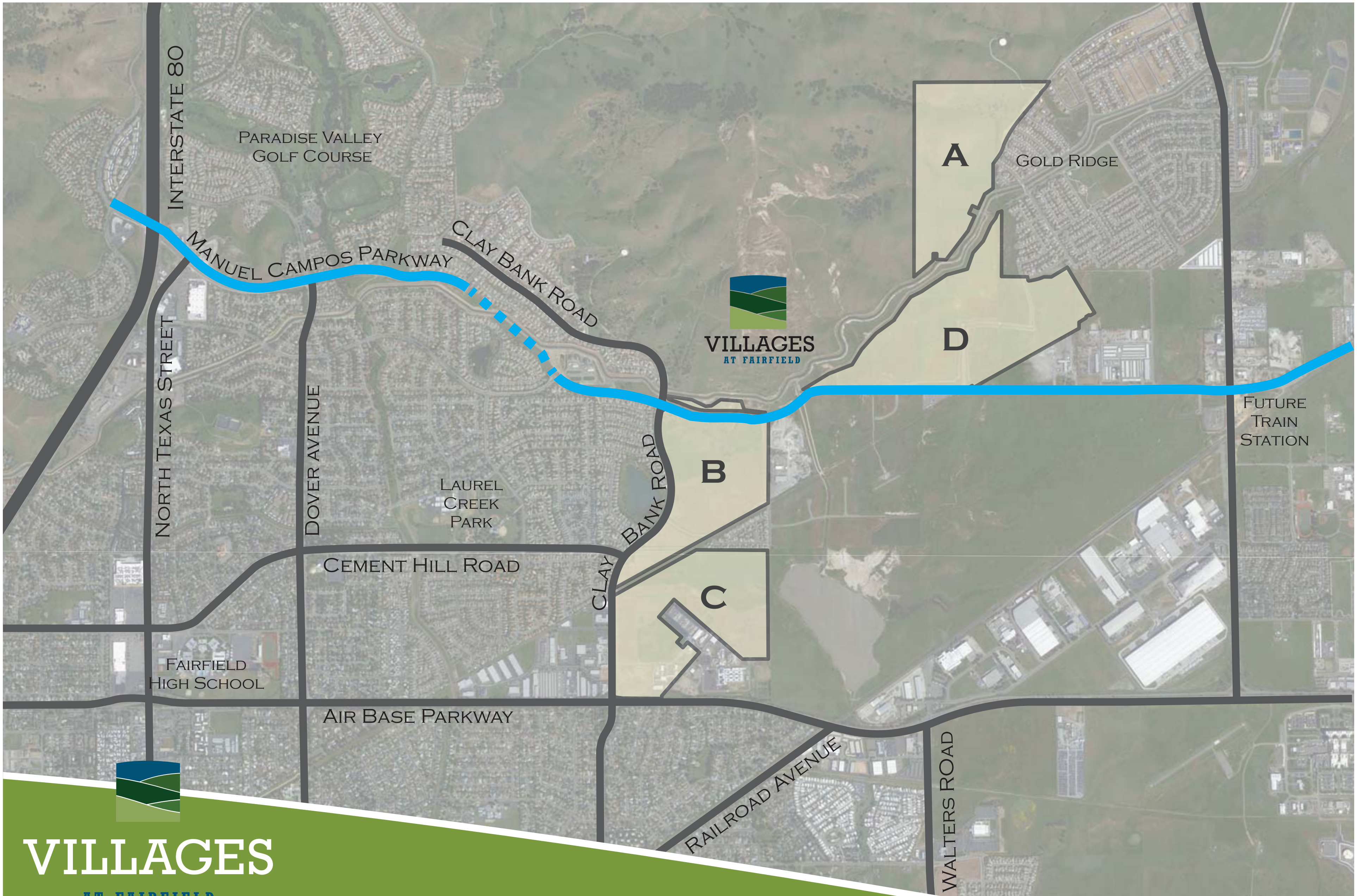

VILLAGES
AT FAIRFIELD

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