NEW ISSUE **NOT RATED**

(See "No Ratings on the Bonds" herein)

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 Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "LEGAL MATTERS - Tax Matters" herein.

SOLANO COUNTY **STATE OF CALIFORNIA**

$8,170,000
NORTHEAST QUADRANT IMPROVEMENT DISTRICT NO. 2003-1 OF THE CITY OF VALLEJO IMPROVEMENT BONDS, 2003 SERIES A

Dated: Date of Delivery **Due: September 1 as shown below.**

The 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 Bonds involves elements of risk. See "BONDOWNERS' RISKS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2004, until maturity or earlier redemption. The Bonds are subject to redemption prior to maturity (see **"THE BONDS - General Provisions"** and **"THE BONDS - Redemption"** herein).

The information contained within this Official Statement was prepared under the direction of the City by the following firm serving as Financing Consultant to the City.

ROD GUNN ASSOCIATES, INC.

MATURITY SCHEDULE

$2,700,000 SERIAL BONDS

Maturity Date September 1	Principal Amount	Interest Rate	Reoffering Rate	Maturity Date September 1	Principal Amount	Interest Rate	Reoffering Rate
2005	$120,000	2.850%	2.850%	2013	$165,000	5.500%	5.500%
2006	120,000	3.350%	3.350%	2014	175,000	5.500%	5.500%
2007	125,000	3.800%	3.800%	2015	185,000	5.750%	5.750%
2008	130,000	4.200%	4.200%	2016	195,000	5.750%	5.750%
2009	135,000	4.500%	4.500%	2017	205,000	6.000%	6.000%
2010	145,000	4.750%	4.750%	2018	220,000	6.000%	6.000%
2011	150,000	5.000%	5.000%	2019	230,000	6.000%	6.000%
2012	155,000	5.250%	5.250%	2020	245,000	6.000%	6.000%

$1,810,000 6.000% Term Bond due September 1, 2026, Price 98.466%

$3,660,000 6.125% Term Bond due September 1, 2034, Price 98.290%

The Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Improvement Bonds, 2003 Series A (the "Bonds") are payable from the proceeds of an Improvement Levy (as defined herein) to be levied within the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo (the "District"), and certain other funds held under the Fiscal Agent Agreement (see **"SOURCES OF PAYMENT FOR THE BONDS"**, **"BONDOWNERS' RISKS"** and **"DEBT STRUCTURE"** herein). The Bonds are being issued in fully registered form as physical certificates and, when issued, will be eligible for registration with The Depository Trust Company, New York, New York ("DTC"). It is anticipated that the Bonds will be available for delivery on or about December 17, 2003 (see **"THE BONDS – General Provisions"** herein).

The date of the Official Statement is December 8, 2003.

WULFF, HANSEN & CO.

Established 1931

Investment Bankers

CITY OF VALLEJO
VALLEJO, CALIFORNIA

CITY COUNCIL

Anthony J. Intintoli, *Mayor*
Pamela Pitts, *Vice Mayor*
Gary Cloutier, *Councilmember*
Gerald Davis, *Councilmember*
Anthony Pearsall, *Councilmember*
Pete Rey, *Councilmember*
Joanne Schivley, *Councilmember*

CITY STAFF

David R. Martinez, *City Manager*
Thomas Sinclair, *Interim Finance Director*
Jon R. Oiler, *Auditor Controller*
Allison Villarante, *City Clerk*
Frederick G. Soley, *City Attorney*

PROFESSIONAL SERVICES

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

Disclosure Counsel
Law Offices of Osby Davis
Vallejo, California

Financing Consultant
Rod Gunn Associates, Inc.
Huntington Beach, California

Trustee
Wells Fargo Bank, National Association
San Francisco, California

Special Tax Consultant
NBS/Government Finance Group
Temecula, California

Appraiser
Hulberg & Associates Inc.
San Ramon, California

Underwriter
Wulff, Hansen & Co.
San Francisco, California

Underwriter's Counsel
Fulbright & Jaworski L.L.P.
Los Angeles, California

FOR ADDITIONAL INFORMATION

Finance Director, City of Vallejo, California (707) 648-4343
Rod Gunn Associates, Inc. (714) 841-3993
Wulff, Hansen & Co. (415) 421-8900

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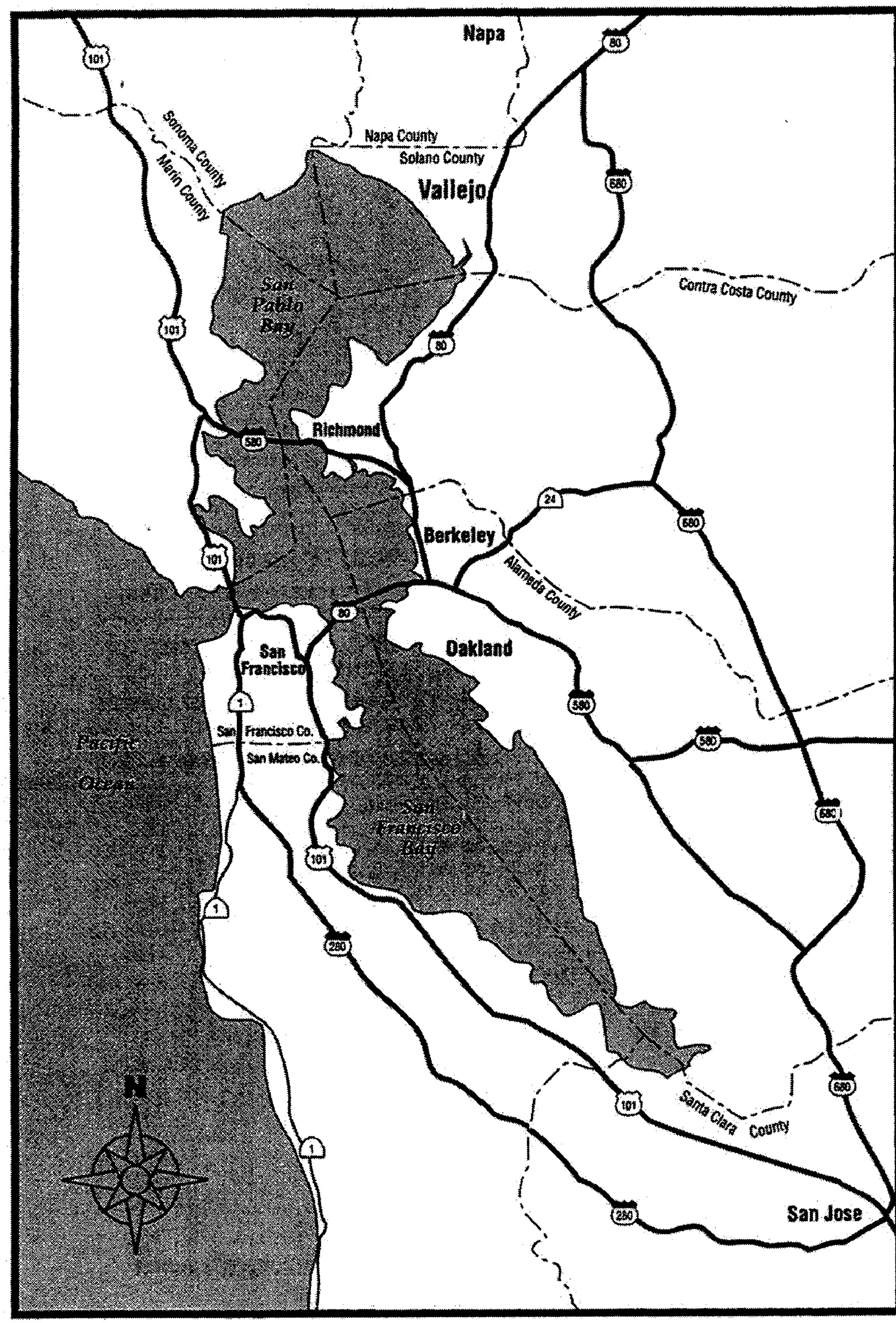
VICINITY MAP



OFFICIAL STATEMENT

$8,170,000
NORTHEAST QUADRANT IMPROVEMENT DISTRICT NO. 2003-1 OF THE CITY OF VALLEJO IMPROVEMENT BONDS, 2003 SERIES A

This Official Statement which includes the cover page and appendices (the "Official Statement") is provided to furnish certain information concerning the sale by the City of Vallejo (the "City") of its Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Improvement Bonds, 2003 Series A (the "Bonds"), in the aggregate principal amount of $8,170,000.

INTRODUCTORY STATEMENT

This Introductory Statement contains only a brief description of this issue and does not purport to be complete. The Introductory Statement is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Investment in the Bonds involves elements of risk. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see "BONDOWNERS' RISKS" herein).

The Issuer

The City. The City is located at the juncture of the Napa River with San Pablo Bay and Suisun Bay, in Solano County, California (the "County"). Its neighboring communities include Benicia, American Canyon, Fairfield and Napa. It is centrally located among northern California commerce centers, 32 miles northeast of San Francisco, 22 miles north of Oakland, 47 miles southwest of Sacramento and 80 miles north of San Jose (see "APPENDIX B - CITY OF VALLEJO INFORMATION STATEMENT" herein).

The District. The City Council of the City has formed the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo (the "District") under the provisions of the City of Vallejo Improvement District Financing Code, as amended (the "Act") and Resolution No. 03-292 N.C. of the City Council adopted on August 19, 2003 (the "Resolution of Formation"). The City Council, as the legislative body with respect to the District, is authorized under the Act to levy improvement levies (the "Improvement Levy") within the District and to authorize the issuance of bonds secured by the Improvement Levy. Under the provisions of the Act, on December 2, 2003 the City Council of the City adopted its Resolution No. 03-440 N.C. (the "Resolution"), which authorized the issuance and sale of the Bonds, provided that such issuance would be in accordance with the Act and the Fiscal Agent Agreement, and authorized the execution of the Fiscal Agent Agreement.

Security and Sources of Repayment

The Bonds. The Bonds are issued and secured under the Fiscal Agent Agreement, dated as of December 1, 2003, by and between the City and Wells Fargo Bank, National Association, San Francisco, California (the "Fiscal Agent") (the "Fiscal Agent Agreement") (see "SUMMARY OF THE FISCAL AGENT AGREEMENT" herein). The City has covenanted in the Fiscal Agent Agreement to levy in each Fiscal Year the Improvement Levy, as described below, in an amount sufficient to pay Annual Debt Service on the Bonds and the administrative expenses of the City, subject to the limitation on the Maximum Annual Improvement Levy that may be levied within the District (see "FINANCIAL INFORMATION - **Rate and**

Method of Apportionment of the Improvement Levy" for a description of the Improvement Levy, **"SOURCES OF PAYMENT FOR THE BONDS"** and **"BONDOWNERS' RISKS"** herein).

The District. The District is located southeast of the intersection of Interstate 80 and Columbus Parkway within the City. The District contains approximately 109 acres which includes eleven (11) legal parcels and the right-of-way for Ascot Parkway. Eight of the eleven parcels are approved for various land uses and three of the parcels are designated for open space. The land in the District is currently being developed in accordance with the Specific Area Plan adopted by the City Council of the City on July 29, 2003 (the "Specific Plan") (see **"THE DISTRICT"** herein). The size and designated land uses of the eight parcels are as follows:

Parcel	**Land Use**	**Net Site Size**	**Appraised Value***
Parcel 1	Commercial	305,356 Sq. Ft. 7.01 Acres	$3,210,000
Parcel 2	Commercial	341,510 Sq. Ft. 7.84 Acres	3,330,000
Parcel 4	Shopping Center	473,933 Sq. Ft. 9.04 Acres	3,840,000
Parcel 5	Mixed Use	359.370 Sq. Ft. 8.25 Acres	3,320,000
Parcel 6	Mixed Use	170,755 Sq. Ft. 3.92 Acres	1,710,000
Parcel 7	Commercial	528,383 Sq. Ft. 10.93 Acres	4,450,000
Parcel 8A Lot line adjustment 10/31/03	Commercial	427,759 Sq. Ft. 9.67 Acres	3,780,000
Parcel 3	**Units**		
Parcel 3 Residential	133	26.96 Acres	$10,640,000

* The above values assume each site is graded and ready for development. Further, the values assume that all improvements identified in the Northeast Quadrant Improvement District No. 2003-1 have been completed. The residential portion also assumes final map and unit plan approval.

The Bonds are limited obligations of the City. The Bonds do not constitute a debt or liability of the County, the State of California (the "State") or of any political subdivision thereof, other than the City. The City shall only be obligated to pay the principal of the Bonds, and the interest thereon, from Improvement Levy Revenues and the funds held under the Fiscal Agent Agreement as described herein, and neither the faith and credit nor the general taxing power of the City, the County, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds.

Purpose

The Bonds are being issued to provide funds to prepay special assessments on certain parcels within Assessment District No. 58 and Assessment District No. 64 that are also within the boundaries of the District, to finance the construction of certain public improvements, to establish a reserve fund for the Bonds, to fund interest on the Bonds to and including September 1, 2004, and to pay the expenses of the City in connection with the issuance of the Bonds (see **"THE BONDS - Estimated Sources and Uses of Funds"** herein).

The Bonds

Redemption. The Bonds maturing on September 1, 2026 and September 1, 2034 are subject to mandatory redemption from mandatory sinking payments under the Fiscal Agent Agreement, without premium, prior to their maturity date, in part by lot on September 1 in each year commencing September 1, 2021 in the case of the Bonds maturing September 1, 2026 and September 1, 2027 in the case of the Bonds maturing September 1, 2034 (see **"THE BONDS - Redemption - Mandatory Sinking Redemption"** herein).

The Bonds maturing after September 1, 2013 are also subject to optional redemption prior to maturity on September 1, 2013 and any Interest Payment Date thereafter from any source of available funds, in whole or in part, in a manner determined by the City at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus a premium, as described herein (see **"THE BONDS - Redemption - Optional Redemption"** herein).

The Bonds are subject to redemption, in part, on any Interest Payment Date from amounts constituting prepayments of Improvement Levy at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus a premium, as described herein (see **"THE BONDS - Redemption - Mandatory Redemption"** herein).

Denominations. The Bonds will be issued in the minimum denomination of $5,000 each or any integral multiple thereof (see **"THE BONDS - General Provisions"** herein).

Registration, Transfer and Exchange. The Bonds will be issued in fully registered form without coupons. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Fiscal Agent Agreement (see **"THE BONDS - General Provisions - Transfer or Exchange of Bonds"** herein).

Payment. Principal of the Bonds and any premium upon redemption will be payable in each of the years and in the amounts set forth on the cover page hereof upon surrender at the corporate trust office of the Fiscal Agent in Los Angeles, California. Interest on the Bonds will be paid by check of the Fiscal Agent mailed by first class mail to the person entitled thereto (except as otherwise described herein for interest paid to an account in the United States of America by wire transfer as requested in writing no later than the applicable Record Date by an owner of $1,000,000 or more in aggregate principal amount of Bonds) (see **"THE BONDS - General Provisions"** herein).

Notice. Notice of any redemption will be mailed by first class mail by the Fiscal Agent at least thirty (30) but no more than sixty (60) days prior to the date fixed for redemption to the registered owners of any Bonds designated for redemption and to the Securities Depositories and Information Services all as provided in the Fiscal Agent Agreement. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date (see **"THE BONDS - Redemption - Notice of Redemption"** herein).

Legal Matters

The legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading "LEGAL MATTERS" herein. Payment of the fees and expenses of Bond Counsel is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed on for the City by Frederick G. Soley, Esq., Vallejo, California, City Attorney and by the Law Offices of Osby Davis, Vallejo, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Fulbright & Jaworski L.L.P., as Underwriter's Counsel.

Professional Services

Wells Fargo Bank, National Association, San Francisco, California, will serve as Fiscal Agent (the "Fiscal Agent") under the Fiscal Agent Agreement. The Fiscal Agent will act on behalf of the City for the purpose of receiving all moneys required to be paid to the Fiscal Agent, to allocate, use and apply the same, to hold, receive and disburse the Improvement Levy Revenues and other funds held under the Fiscal Agent Agreement, and otherwise to hold all the offices and perform all the functions and duties provided in the Fiscal Agent Agreement to be held and performed by the Fiscal Agent.

Rod Gunn Associates, Inc., Huntington Beach, California, Financing Consultant, advised the City as to the financial structure and certain other financial matters relating to the Bonds. Fees payable to Bond Counsel, Disclosure Counsel and the Financing Consultant are contingent upon the sale and delivery of the Bonds.

NBS/Government Finance Group, Temecula, California, advised the City in matters related to the Rate and Method of Apportionment of the Improvement Levy. A copy of the Rate and Method of Apportionment of the Improvement Levy prepared by NBS/Government Finance Group and adopted by the City is included in its entirety as "APPENDIX D".

Hulberg & Associates Inc., San Ramon, California, prepared the Appraisal of Land and Improvements within the District. A copy of the Appraisal in its entirety is included as "APPENDIX C" (also see "CONCLUDING INFORMATION - **Experts**" herein).

Offering of the Bonds

Authority for Issuance. The Bonds are to be issued and secured pursuant to the Fiscal Agent Agreement, as authorized by Resolution No. 03-440 N.C. of the City adopted on December 2, 2003. The Bonds are also issued in accordance with the laws of the State and the Act.

Offering and Delivery of the Bonds. The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. The Bonds are being issued in fully registered form as physical certificates and, when issued, will be eligible for registration with The Depository Trust Company, New York, New York ("DTC"). It is anticipated that the Bonds will be available for delivery on or about December 17, 2003.

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

This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale or to any person to whom it is unlawful to make such offer, solicitation or sale.

In connection with the offering of the Bonds, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Information Concerning this Official Statement

This Official Statement speaks only as of its date. The information set forth herein has been obtained by Rod Gunn Associates, Inc. and Wulff, Hansen & Co. from the City, and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, nor has it been independently verified and is not to be construed as a representation by the Financing Consultant, the Underwriter or the City. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended as such and are not to be construed as representations of fact.

Official Statement Deemed Final. The information set forth herein is in a form deemed final, as of its date, by the Authority for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The information and expressions of opinion herein are subject to change without notice and the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the City since the date hereof.

Continuing Disclosure. The City will covenant to provide annually certain financial information and data relating to the Bonds and the District by not later than March 31 in each year commencing March 31, 2004 (the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events if deemed by the City to be material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission (the "Repositories") and a State repository, if any. The notices of material events will be timely filed by the City with the Municipal Securities Rulemaking Board, the Repositories and a State repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the continuing disclosure obligation are summarized in "**APPENDIX E – FORMS OF CONTINUING DISCLOSURE AGREEMENTS**". The City has never failed to comply timely with any obligation to make a filing under Rule 15c2-12 under the Securities Exchange Act of 1934.

The property owner is required to provide certain information for a limited period of time, pursuant to a continuing disclosure agreement entered into pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (see "**BONDOWNERS' RISKS**" and "**THE DISTRICT**" herein) (see "**APPENDIX E – FORMS OF CONTINUING DISCLOSURE AGREEMENTS**").

Availability of Legal Documents. The summaries and references contained herein with respect to the Fiscal Agent Agreement, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Fiscal Agent Agreement. Definitions of certain terms used herein are set forth in **"APPENDIX A"** hereto. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Financing Consultant, Rod Gunn Associates, Inc., 16371 Gothard Street, Suite A, Huntington Beach, California 92647-3652, telephone (714) 841-3993, or the Underwriter, Wulff, Hansen & Co., 201 Sansome Street, 4th Floor, San Francisco, California 94104, telephone (415) 421-8900. Copies of these documents may be obtained after delivery of the Bonds at the corporate trust office of the Fiscal Agent, Wells Fargo Bank, National Association, 555 Montgomery Street, 10th Floor, San Francisco, California 94111, or from the City at 555 Santa Clara Street, Vallejo, California 94590, telephone (707) 648-4576.

SUMMARY OF ESSENTIAL FACTS

The following summary does not purport to be complete. Reference is hereby made to the complete Official Statement in this regard.

THE BONDS

Principal Amount:	$8,170,000
Additional Bonds:	No Additional Bonds on a parity with the Bonds (see **"DEBT STRUCTURE - Additional Bonds"** herein).
Primary Source of Revenues for Repayment:	The Bonds are repayable from the Improvement Levy levied within the District (see **"SOURCES OF PAYMENT FOR THE BONDS"** and **"BONDOWNERS' RISKS"** herein).
Description of the Improvement Levy:	Each Parcel is subject to a maximum Improvement Levy as determined by the Rate and Method of Apportionment of the Improvement Levy for the District, which has been approved by the City and the qualified electors within the District (see **"FINANCIAL INFORMATION - Rate and Method of Apportionment of the Improvement Levy"** and **"BONDOWNERS' RISKS"** herein).
Redemption:	The Bonds are subject to redemption prior to maturity (see **"THE BONDS - Redemption"** and **"BONDOWNERS' RISKS"** herein).

THE DISTRICT

Size of the District:	Approximately 79.00 taxable acres without Parcel 8A.
Description of Planned Development:	Mixed use (see **"THE DISTRICT"** herein).
Number of Property Owners on the Date of Delivery of the Bonds:	One (see **"THE DEVELOPMENT - Property Ownership"** and **"BONDOWNERS' RISKS - Concentration of Ownership"** herein).
Governmental Approvals:	Approved Specific Plan; approved Tentative Map.
Status of Development:	Grading is completed. Ascot Parkway between Columbus Parkway and Turner Parkway is under construction. Ascot Parkway, excluding landscaping, is scheduled for completion by February 2004. Landscaping of Ascot Parkway scheduled for completion by December 2004. Columbus Parkway improvements widening, landscaping and traffic signal scheduled for completion in July 2005.
Appraised Bulk Value of Land and Improvements in the District	$30,500,000 (excluding Parcel 8A) (see **"THE DISTRICT - Appraised Values"** and **"APPENDIX C - APPRAISAL REPORT"** herein).
Ratio of Bulk Value to Principal Amount of Bonds:	3.73 to 1
Minimum Ratio of Authorized Maximum Annual Improvement Levy in any Fiscal Year to Annual Debt Service on the Bonds:	Approximately 110% (see **"SOURCES OF PAYMENT FOR THE BONDS"**, **"BONDOWNERS' RISKS"**, **"FINANCIAL INFORMATION - Rate and Method of Apportionment of the Improvement Levy"** and **"Projected Improvement Levy Revenues and Debt Service"** herein).
Current Delinquency Percentage:	The District was recently formed and has no prior experience collecting the Improvement Levy (see **"THE DEVELOPMENT - Property Ownership"** and **"FINANCIAL INFORMATION – Delinquencies and Foreclosure Actions"** herein).

THE BONDS

General Provisions

Repayment of the Bonds. Interest is payable on the Bonds at the rate per annum set forth on the cover page hereof. Interest with respect to the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months.

Each Bond will be dated the Date of Delivery, and interest with respect thereto will be payable commencing March 1, 2004 and semiannually thereafter from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, (b) it is authenticated before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date; (c) it is authenticated on or before February 15, 2004, in which event it will bear interest from Date of Delivery; or provided, however, that if at the time of authentication of a Bond, interest is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to such Bond.

Interest with respect to the Bonds will be payable by check of the Fiscal Agent mailed by first class mail on the applicable Interest Payment Date to the owners thereof provided that in the case of an owner of $1,000,000 or greater in principal amount of Outstanding Bonds, such payment may, at such owner's option, be made by wire transfer in immediately available funds to an account in the United States of America in accordance with written instructions provided prior to the applicable Record Date to the Fiscal Agent by such owner. The owners of the Bonds shown on the Registration Books (the "Owners" or "Bondowners") on the Record Date for the Interest Payment Date will be deemed to be the Owners of the Bonds on said Interest Payment Date for the purpose of the paying of interest. Principal of the Bonds and any premium upon early redemption is payable upon presentation and surrender thereof, at the Principal Office of the Fiscal Agent.

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for certain of the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing

Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

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

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and neither the Authority nor the Trustee take any responsibility for the accuracy thereof. Neither the Authority nor the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Fiscal Agent Agreement, upon surrender of such Bond for cancellation at the Principal Office of the Fiscal Agent. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Fiscal Agent shall authenticate and deliver a new Bond or Bonds for like aggregate principal amount and of like maturity. The Fiscal Agent may require the payment by the Bondowner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Fiscal Agent is not permitted to transfer or exchange any Bonds or portions thereof during the period established by the Fiscal Agent for selection of Bonds for redemption, or any Bonds selected for redemption.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the City, at the expense of the Bondowner, will execute, and the Fiscal Agent will thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent will be canceled by it. If any Bond issued under the Fiscal Agent Agreement is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to it and indemnity for the City and the Fiscal Agent satisfactory to the Fiscal Agent is given, the City, at the expense of the Bondowner, will execute, and the Fiscal Agent will thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Fiscal Agent may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Fiscal

Agent). The Fiscal Agent may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under the provisions of the Fiscal Agent Agreement described in this paragraph and of the expenses which may be incurred by the Fiscal Agent. Any Bond issued under the provisions of the Fiscal Agent Agreement described in this paragraph in lieu of any Bond alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Fiscal Agent Agreement with all other Bonds secured by the Fiscal Agent Agreement.

Estimated Sources and Uses of Funds

Under the provisions of the Fiscal Agent Agreement, the Fiscal Agent will receive the proceeds from the sale of the Bonds and will apply them as follows:

Sources of Funds

Principal Amount of Bonds	$8,170,000.00
Original Issue Discount	(90,351.40)
Underwriter's Discount	(163,400.00)
Total Available Funds	$7,916,248.60

Uses of Funds

Improvement Fund	$6,201,378.13
AD 58 and AD 64 Prepayment (1)	560,887.00
Reserve Fund (2)	594,850.00
Capitalized Interest (3)	334,133.47
Costs of Issuance Fund (4)	225,000.00
Total Use of Funds	$7,916,248.60

(1) An amount sufficient to prepay certain parcels within AD 58 and AD 64.

(2) Initially, an amount equal to Maximum Annual Debt Service on the Bonds (see "SOURCES OF PAYMENT FOR THE BONDS - Reserve Fund" herein).

(3) Interest on the Bonds to and including September 1, 2004

(4) Expenses include fees of Bond Counsel, the Financing Consultant, Improvement Levy Consultant, Disclosure Counsel, Underwriter's Counsel, Fiscal Agent, Appraiser, costs of printing the Official Statement, City Administrative fees, and other costs of issuance of the Bonds.

Investment of Funds

All moneys in any of the funds or accounts established with the Fiscal Agent, pursuant to the Fiscal Agent Agreement, will be invested solely in Permitted Investments (see "APPENDIX A - DEFINITION OF CERTAIN TERMS" herein), as directed pursuant to the Written Request of the City filed with the Fiscal Agent. In the absence of any such Written Request, the Fiscal Agent will invest any such moneys in certain money market funds (described in paragraph (g) of the definition of Permitted Investments). Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund will be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any).

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2014 are subject to redemption prior to maturity on September 1, 2013 and any Interest Payment Date thereafter from any source of available funds, as a whole or in part, among maturities as set forth below and by lot within a maturity, at a redemption price equal to the principal amount thereof to be redeemed, plus a premium, together with accrued interest thereon to the date fixed for redemption as follows (expressed as a percentage of the principal amount of Bonds to be redeemed):

Redemption Date	Redemption Prices
September 1, 2013 and March 1, 2014	102.0%
September 1, 2014 and March 1, 2015	101.0%
September 1, 2015 and thereafter	100.0%

Mandatory Sinking Payment Redemption. The Bonds maturing September 1, 2026 and on September 1, 2034, (collectively, the "Term Bonds") are subject to mandatory redemption, in part by lot, on September 1 in each year commencing September 1, 2021, with respect to the Bonds maturing September 1, 2026, and September 1, 2027, with respect to the Bonds maturing September 1, 2034 from mandatory sinking payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts and on September 1 in the years as set forth in the following schedules; provided, however, that (i) in lieu of redemption thereof, the Term Bonds may be purchased by the City and tendered to the Fiscal Agent pursuant to the provisions of the Fiscal Agent Agreement, and (ii) if some but not all of the Term Bonds have been redeemed pursuant to the optional redemption or mandatory redemption from prepayment provisions described herein, the total amount of all future mandatory sinking payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such mandatory sinking payments so as to maintain substantially level debt service (as nearly as practicable) in integral multiples of $5,000 in a manner designated by the City.

SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS
SERIES A TERM BONDS MATURING SEPTEMBER 1, 2026

September 1 Year	Principal Amount	
2021	$260,000	
2022	275,000	
2023	290,000	
2024	310,000	
2025	330,000	
2026	345,000	(maturity)

SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS
SERIES A TERM BONDS MATURING SEPTEMBER 1, 2034

September 1 Year	Principal Amount	
2027	$370,000	
2028	390,000	
2029	415,000	
2030	440,000	
2031	465,000	
2032	495,000	
2033	525,000	
2034	560,000	(maturity)

Mandatory Redemption from Prepayment. The Bonds are subject to redemption prior to maturity, on any Interest Payment Date, from prepayments of the Improvement Levy and excess Improvement Levies, as a whole or in part, by lot, at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption (see "BONDOWNERS' RISKS" herein).

Redemption Periods	Redemption Prices
March 2, 2004 through March 1, 2006	103.0%
September 1, 2006 through March 1, 2013	102.5%
September 1, 2013 and thereafter as provided for optional redemption	

Notice of Redemption. When redemption is authorized or required, the Fiscal Agent is required to give written notice of the redemption of Bonds to the Bondowners designated for redemption at their addresses appearing on the bond registration books, to certain Securities Depositories, and to one or more Information Services, all as provided in the Fiscal Agent Agreement, by first class mail, postage prepaid, no less than thirty (30), nor more than sixty (60), days prior to the date fixed for redemption. Such mailing will not be a condition precedent to such redemption, and neither failure to receive such notice nor any defect in the notice so mailed will affect the validity of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date. The Fiscal Agent Agreement contains no provisions requiring any publication of notice of redemption, and Bondowners must maintain a current address on file with the Fiscal Agent to receive any notice of redemption.

Effect of Redemption. From and after the date fixed for redemption, interest on such Bonds called for redemption will cease to accrue. The rights of an Owner to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price and accrued interest to the redemption date will terminate on the date, if any, on which the Bond is to be redeemed pursuant to a call for redemption.

Partial Redemption. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the City will execute and the Fiscal Agent will authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of the same interest rate and maturity, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Selection of Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of Bonds and less than all Bonds of a maturity are called for redemption, the Fiscal Agent shall select Bonds for redemption within a maturity by lot in any manner which the Fiscal Agent deems appropriate.

SOURCES OF PAYMENT FOR THE BONDS

General

The principal of, premium, if any, and the interest on the Bonds, and the Administrative Expenses of the City and the District, are payable from the Improvement Levy Revenues collected on parcels of land within the District, funds held by the Fiscal Agent and available for such purposes pursuant to the Fiscal Agent Agreement (see **"BONDOWNERS' RISKS"** herein).

The Bonds are limited obligations of the City payable solely from the proceeds of Improvement Levy Revenues within the District. The Bonds shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof, other than the City. Neither the faith and credit nor the general taxing power of the City of Vallejo (except to the limited extent set forth herein), the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds.

The Improvement Levy

The Improvement Levy is excepted from the tax rate limitation of California Constitution Article XIIIA pursuant to Section 4 thereof as a "special tax" authorized by at least a two-thirds vote of the qualified electors as set forth in the Act. Consequently, the City Council of the City on behalf of the District has the power and is obligated by the Fiscal Agent Agreement to cause the levy and collection of the Improvement Levy Revenues.

The City has covenanted in the Fiscal Agent Agreement to levy (subject to the Maximum Annual Improvement Levy for the District) in each Fiscal Year the Improvement Levy in an amount sufficient to pay the Debt Service on the Bonds and the cost of providing certain Administrative Expenses of the City (see **"BONDOWNERS' RISKS"** herein). The Maximum Annual Improvement Levy has been calculated so that each Assessor's Parcel will pay its proportionate share of Annual Debt Service and Administrative Expenses. The Maximum Annual Improvement Levy is limited to 110% of the Annual Improvement Levy Requirement (without taking into account investment earnings and other sources of revenue, if any, that may be applied to the Improvement Levy Requirement) (see **"BONDOWNERS' RISKS"** and **"APPENDIX D"** herein.)

The Improvement Levy is to be levied and collected according to the Rate and Method of Apportionment of the Improvement Levy for the District described in **"APPENDIX D - RATE AND METHOD OF APPORTIONMENT OF THE IMPROVEMENT LEVY"** herein.

Although the Improvement Levy will constitute a lien on parcels of real property within the District, they do not constitute a personal indebtedness of the owner(s) of real property within the District. There is no assurance that the property owners, or any successors and/or assigns thereto or subsequent purchaser(s) of land within the District, will be able to pay the annual Improvement Levy or, if able to pay the Improvement Levy, that they will do so (see **"BONDOWNERS' RISKS"** and **"THE DEVELOPMENT - Property Ownership"** herein).

The Improvement Levy will be collected by the County of Solano Tax Collector in the same manner and at the same time as regular ad valorem property taxes are collected by the Tax Collector of the County. The City may, at a later date, elect to directly bill and/or collect the Improvement Levy. When received, such Improvement Levy Revenues will be deposited in the Improvement Levy Fund for the District to be held by the City and transferred by the City to the Fiscal Agent as provided in the Fiscal Agent Agreement.

Reserve Fund

In order to secure further the timely payment of principal of and interest on the Bonds, the City is required, upon delivery of the Bonds, to deposit in the Reserve Fund an amount equal to the Reserve Requirement (initially, maximum annual debt service on the Bonds). Thereafter, the City is required to deposit from the Improvement Levies, if any such amounts are available, and maintain an amount of money equal to Maximum Annual Debt Service in the Reserve Fund at all times while the Bonds are Outstanding. Amounts in the Reserve Fund will be used to pay Debt Service on the Bonds to the extent other moneys are not available therefor. Amounts in the Reserve Fund in excess of Maximum Annual Debt Service will be deposited into the Interest Account. Amounts in the Reserve Fund may be used to pay the final year's Debt Service on the Bonds and may be used at any time to make rebate payments to the federal government.

Covenant for Superior Court Foreclosure

Pursuant to Section 14.44.730 of the Act, in the event of a delinquency in the payment of the Improvement Levy, the City may order the institution of a superior court action to foreclose the lien therefor, provided such action is brought not later than four years after the final maturity date of the Bonds. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale.

On or before July 1st of each Fiscal Year, the Finance Director shall compare the amount of Improvement Levies theretofore levied in the District to the amount of Improvement Levy Revenues theretofore received by the City, and if the amount so collected is less than 95% of the amount of the Improvement Levies levied in such Fiscal Year, the City will undertake and diligently prosecute foreclosure proceedings not later than the succeeding November 1 in the manner prescribed in the Act to collect the amount of any delinquent Improvement Levy due from such property. Initiation of such foreclosure proceedings may be deferred if the amount on deposit in the Reserve Fund is maintained at a level at least equal to the Reserve Requirement. Notwithstanding the foregoing, if the aggregate Improvement Levies levied on any parcels owned by a single owner is in excess of $20,000 for any Fiscal Year, then the City will review the records of the County in connection with the collection of the Improvement Levies no later than February 15 and June 1 of each year to determine if there is any delinquency with respect to the payment of the Improvement Levies on such parcel or parcels, and, if any amount is delinquent, the City will commence within 150 days of the delinquency and diligently prosecute and pursue foreclosure proceedings against such parcel or parcels to judgment sale.

No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Improvement Levy installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the City with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the execution sale pursuant to the judgment in any such action if there is no other purchaser at such sale, nor does the Act specify the priority relationship, if any, between the Improvement Levy and other taxes and assessment liens.

As a result of the foregoing, in the event of a delinquency or nonpayment by the property owners in the District of one or more Improvement Levy installments, there can be no assurance that there would be available to the City sufficient funds to pay when due the principal of, interest on and premium, if any, on the Bonds (see **"BONDOWNERS' RISKS - Concentration of Ownership"** herein).

BONDOWNERS' RISKS

General

BEFORE PURCHASING ANY OF THE BONDS, ALL PROSPECTIVE INVESTORS AND THEIR PROFESSIONAL ADVISORS SHOULD CAREFULLY CONSIDER, AMONG OTHER THINGS, THE FOLLOWING RISK FACTORS, WHICH ARE NOT MEANT TO BE AN EXHAUSTIVE LISTING OF ALL RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS. MOREOVER, THE ORDER OF PRESENTATION OF THE RISK FACTORS DOES NOT NECESSARILY REFLECT THE ORDER OF THEIR IMPORTANCE.

The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters.

Insufficiency of Improvement Levy Revenues

As discussed herein, the amount of Improvement Levy Revenues that are collected could be insufficient to pay principal of, interest and premium, if any, on the Bonds due to nonpayment of the Improvement Levy Revenues levied within the District and insufficient or no proceeds received from a foreclosure sale of land within the District. In particular, it should be noted that the Maximum Annual Improvement Levy is limited to 110% of the Annual Improvement Levy Requirement (without taking into account investment earnings and other sources of revenue, if any, that may be applied to the Improvement Levy Requirement).

The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings upon delinquencies in the payments of the Improvement Levy as described herein and to sell any real property on which there exists a lien of delinquent Improvement Levy Revenues to obtain funds to pay Debt Service on the Bonds.

If foreclosure proceedings are ever instituted, any holder of a mortgage or deed of trust could, but would not be required to, advance the amount of delinquent Improvement Levy Revenues to protect its security interest. See **"SOURCES OF PAYMENT FOR THE BONDS - Covenant for Superior Court Foreclosure"** herein for provisions which apply in the event foreclosure is required and which the City is required to follow in the event of delinquency in the payment of Improvement Levy Revenues.

The Act provides that, if any real property within the District not otherwise exempt from the Improvement Levy is acquired by a public entity through a negotiated transaction, or by gift or devise, the Improvement Levy will continue to be levied on and be enforceable against the public entity that acquires the property. Additionally, the Act provides that, if any property subject to the Improvement Levy is acquired by a public entity through eminent domain proceedings, the obligation to pay the Improvement Levy with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. However, the constitutionality and operation of these provisions of the Act have not been tested. If for any reason, property subject to the Improvement Levy becomes exempt from taxation by reason of ownership by a non-taxable entity, such as the federal government or another public agency, and the City is unable to collect the Improvement Levy Revenues or obtain compensation through the condemnation procedure, the Improvement Levy may not be able to be reallocated to the remaining taxable properties within the District due to the Maximum Annual Improvement Levy that may be levied on each Parcel.

Concentration of Ownership

Currently there is only one property owner of land within the District (see "**THE DEVELOPMENT - Property Ownership**" herein). The only asset of property owners which constitutes security for the Bonds is their property holdings assessed within the District.

It is anticipated that there may be subsequent transfers of ownership of the property within the District prior to completion of development therein.

The fact that the land within the District, currently owned by one property owner, is substantially undeveloped and is subject to a number of contingencies which could slow or prevent full future development presents significant risks to the Bondowners. No assurance can be given that any planned development within the District will be partially or fully completed, and in assessing the investment quality of the Bonds prospective purchasers should evaluate the risks of noncompletion and other factors discussed below.

Undeveloped land is less valuable than developed land and provides less security to the Bondowners if it should become necessary for the City to foreclose on undeveloped property due to the nonpayment of Improvement Levy.

Each property owner is only responsible for paying its share of the Improvement Levy as determined solely by land ownership within the District. In no event is any property owner responsible for or required to pay the Improvement Levy levied on any other property owner's land within the District. Currently, the land within the District is owned entirely by the one property owner and, thus, until land is sold to others, the one property owner is responsible for paying 100% of the annual Improvement Levy. Because of the existing concentration of ownership of District land, the timely payment of the Bonds depends upon the willingness and ability of each property owner to pay the Improvement Levy levied on the undeveloped land when due. A slowdown or stoppage in the continued development of the District might reduce the willingness of the property owners, or any successors, to make Improvement Levy payments on undeveloped property.

In addition to reducing the ability and willingness of the property owners to make Improvement Levy payments, a slowdown of the development process could adversely affect land values and the proceeds at a foreclosure sale in the event that Improvement Levy are not paid when due and the City forecloses the lien of the delinquent Improvement Levy.

Foreclosure and Sale Proceedings

Payment of the Improvement Levy Revenues is secured by the parcels assessed. In the event an Annual Installment of the Improvement Levy of an assessed parcel is not paid when due, the City Council can institute foreclosure proceedings in court to cause the parcel to be sold in order to recover the delinquent amount from the sale of proceeds (see "**SOURCES OF PAYMENT FOR THE BONDS**" herein). Foreclosure and sale may not always result in the recovery of any or the full amount of delinquent Improvement Levy Revenues.

Sufficiency of the foreclosure sales proceeds to cover the delinquent amount depends in part upon the market for and the value of the parcel at the time of the foreclosure sale (see "**Land and Improvement Values**" below). In addition, future events may result in significant changes from the existing value. Such events could include changes in land ownership, development plans and other factors affecting the progress of land development, legal requirements affecting the development of parcels, as well as a number of additional factors. Any of these factors may result in a significant erosion in value, with consequent reduced security of the Bonds.

Sufficiency of foreclosure sale proceeds to cover a delinquency may also depend upon the value of prior or parity liens and similar claims. A variety of governmental liens may presently exist or may arise in the future with respect to a parcel which, unless subordinate to the lien securing the Improvement Levy, may effectively reduce the value of such parcel. Further, other governmental claims, such as hazardous substance claims, may affect the realizable value even though such claims may not rise to the status of liens.

Timely foreclosure and sale proceedings with respect to a parcel may be forestalled or delayed by a stay in the event the owner of the parcel becomes the subject of bankruptcy proceedings. Further, should the stay not be lifted, payment of the Improvement Levy may be subordinated to bankruptcy law priorities.

Land and Improvement Values

If a property owner defaults in the payment of the Improvement Levy, the City's only remedy is to commence foreclosure proceedings against the defaulting property owner's real property within the District for which the Improvement Levy has not been paid, in an attempt to obtain funds to pay the delinquent Improvement Levy. Therefore, the respective values of the lands and improvements within the District are critical factors in determining the investment quality of the Bonds.

Valuation of Property in the District. The City retained Hulberg & Associates Inc., San Ramon, California (the "Appraiser") to appraise the value of the land within the District and planned improvements (the "Appraisal") (see "APPENDIX C"). The Appraiser reports, based on the investigations undertaken, the analysis made and the Appraiser's experience as a real estate appraiser, it is its opinion, subject to and expressly conditioned upon assumptions, premises, limiting conditions and stated exclusions, contained in the Appraisal that as of November 15, 2004, the estimated market value represented by the discounted sell out value of the fee simple interest of the lots, assuming no additional improvements, is $30,500,000 (excluding Parcel 8A) (the "Appraised Amount"). The values of individual parcels in the District may and are expected to vary due to numerous factors such as the Permitted Land Uses, size, location, topographic and soil conditions, the costs of additional improvement to the developer, etc. Prospective purchasers of the Bonds should not assume that individual parcels could be sold at foreclosure sale for the amount of the delinquent Improvement Levy.

Prospective purchasers of the Bonds should not assume that the land could be sold for the Appraised Amount at a foreclosure sale. The actual value of the land is subject to future events which might render invalid some or all of the basic assumptions of the Appraiser. The future value of the land can be expected to fluctuate due to many different, not fully predictable, real estate related investment risk factors, including, but not limited to: general tax law changes related to real estate, changes in competition, general area employment base changes, population changes, changes in real estate related interest rates affecting general purchasing power, advertising, changes in allowed zoning uses and density, natural disasters such as floods, earthquakes and landslides and similar factors.

Appraisals in general are the result of an inexact process, and estimated market value is dependent, in part, upon assumptions which may or may not be realized and upon market conditions and perceptions of market value, which are likely to change over time. The appraisal valuations represent opinions only and are not intended to be absolutes or assurances of specific resale values. If more than one appraiser were employed, it is reasonable to assume that a reasonable range of value opinions on the land value within the District would be reflected depending upon personal professional interpretation of data, facts and circumstances reviewed and assumptions employed.

A copy of the Appraisal is included in "APPENDIX C". The summary herein of some of the conclusions in the Appraisal does not purport to be complete. Reference is made to the Appraisal for further information. The City makes no representations as to the value of the real property within the District, and prospective purchasers of the Bonds are referred to the Appraisal referred to above in evaluating the value of real property within the District.

The Progress of Land Development. Land development is an activity subject to substantial risk. Risk factors include, without limitation, general or local economic conditions; local real estate market conditions; governmental regulation and approval requirements, particularly environmental quality, land use, zoning and building requirements; development, financing and marketing capabilities of the various landowners; and accomplishment of development plans on a timely basis, including but not limited to the provision of infrastructure improvements in addition to the District's improvements.

Since these are largely business risks of the type that landowners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the City has undertaken the financing without regard to any such evaluation. Thus, the undertaking of the financing by the City in no way implies that the City has evaluated these risks or the reasonableness of these risks.

Further, the risk to the owners of the Bonds of development delays may be heightened when land ownership is, as in the District, concentrated in only a few landowners or developers. If ownership is concentrated, timely payment of the Improvement Levy may be dependent upon the financing available to such owners or developers. Diminished values may lessen the effectiveness of foreclosure proceedings as a remedy.

The Improvement Levy Revenues are to be collected from the owners of property located within the District, and levy of the Improvement Levy is not dependent on the completion of the development of the properties within the District. Nevertheless, the extent of completion of the development of the property within the District may affect the ability and willingness of property owners to pay the Improvement Levy Revenues and may affect the market value of any property foreclosed upon for nonpayment of installments of the Improvement Levy.

Geologic, Topographic and Climatic Conditions. Land and improvement value can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and private improvements of the parcels assessed and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes; topographic conditions such as earth movements and floods; and climatic conditions such as droughts.

Some of these factors have been taken into account, to a limited extent, in the design of the District's improvements and have or will be taken into account to a limited extent, in the design of other infrastructure and public improvements. Further, building codes require that some of these factors be taken into account, to a limited extent, in the design of private improvements of the parcels in the District. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protections, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should the condition occur.

Legal Requirements. Other events which may affect the value of a parcel include changes in the law or application of 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.

Other Possible Claims Upon the Values of an Assessed Parcel. In addition to existing property taxes, other governmental obligations, such as general obligation bonds, may be authorized in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels within the District and may be secured by a lien on a parity with the lien of the Improvement Levy securing the Bonds.

In general, as long as the Improvement Levy Revenues securing the Bonds are collected on the County tax roll, the Improvement Levy and all other taxes, assessments and charges also collected on the tax roll are on a parity with each other. 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. Otherwise, in the event of such foreclosure proceedings, the Improvement Levy will generally be on a parity with the other taxes, assessments and charges. The Improvement Levy will have priority over non-governmental liens on an assessed parcel, regardless of whether or not the non-governmental liens are in existence at the time of creation of any lien securing the Improvement Levy.

While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels in the District be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

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

Further, it is possible that liabilities may arise in the future with respect to one or more of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous or may arise in the future resulting from the existence, currently, on the parcel of a substance presently not classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly reduce the value of a parcel.

Bankruptcy Proceedings. Regardless of the priority of the Improvement Levy securing the Bonds over non-governmental liens on parcels, the exercise by the City of the foreclosure and sale remedy may take years to implement and be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of a parcel. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies, especially if the owners own parcels the Improvement Levy of which are significant or if bankruptcy proceedings are instituted with respect to a number of owners owning parcels the Improvement Levy of which is significant, may result in periodic Improvement Levy collections which may be insufficient to pay the Debt Service on the Bonds. Further, should remedies be exercised under the bankruptcy law against the parcels, payment of Improvement Levy may be subordinated to other claims in the bankruptcy proceedings. Thus, certain claims may have priority over a claim for unpaid Improvement Levy, even though, in the absence of the bankruptcy proceedings, no such priority would exist.

Additional Taxation. On June 3, 1986, California voters approved an amendment to Article XIIIA of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of repaying certain new general obligation debt issued for the acquisition or improvement of real property and approved by at least two-thirds of the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Improvement Levy on the parcels within the District.

Parity Taxes and Special Assessments. The Improvement Levy and any penalties thereon will constitute a lien against the lots and parcels of land within the District on which they will be annually imposed until they are paid in full. Such lien is on a parity with all Improvement Levy and special assessments levied by other public entities, agencies and districts and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same real property. The Improvement Levy has priority over all existing and future private liens imposed on the real property within the District. The City, however, has no control over the ability of other public entities, agencies and districts to issue indebtedness secured by Improvement Levy or assessments payable from all or a portion of the real property within the District. Any such Improvement Levy or assessments may have a lien on such real property on a parity with the Improvement Levy (see **"THE DISTRICT - Direct and Overlapping Debt"** herein).

Accordingly, the liens on the real property within the District could greatly increase, without any corresponding increase in the value of the property within the District and thereby severely reduce the value to lien ratio of the land secured public debt existing at the time the Bonds are issued. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within the District to pay the Improvement Levy when due.

Disclosure to Future Land Buyers. A "Notice of Special Improvement Levy Lien" was recorded pursuant to the Act and Section 3114.5 of the Streets and Highways Code, with the County Recorder for the County (the "County Recorder"). This Notice sets forth, among other things, the Rate and Method of Apportionment of the Improvement Levy, the Assessor's Parcel Numbers within the District as of the date of recording the Notice, and the boundaries of the District by reference to the map(s) recorded with the County Recorder. While title insurance and search companies normally refer to such notices in title reports, there can be no assurances that such reference will be made or, if made, that prospective purchasers or lenders will consider such Improvement Levy obligation in the purchase of land within the District or the lending of money thereon. Failure to disclose the existence of the Improvement Levy may affect the willingness and ability of future landowners within the District to pay the Improvement Levy when due.

Uninsured Loss. There is no requirement to obtain insurance on the part of any owner of any property within the District, developed or undeveloped. However, it is reasonable to expect owners of property within the District to carry comprehensive liability, fire, flood, extended coverage and rental loss insurance with respect to their facilities. There are, however, certain types of losses (generally of a catastrophic nature, such as earthquakes, floods, wars or Acts of God) which may be either uninsurable or not economically insurable. Should an uninsured loss occur with respect to a property or should insurance proceeds be unavailable to the property owner, the ability of a property owner to pay the Improvement Levy could be jeopardized.

No Acceleration Provision

The Fiscal Agent Agreement does not contain a provision allowing for the acceleration of the principal of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement.

Property Controlled by Federal Agencies

The City's ability to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Improvement Levy payment may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agencies has or obtains an interest. On June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay clams 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 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. Improvement Levy imposed under the Mello-Roos Act and a Improvement Levy formula which determines the Improvement Levy due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. With respect to property in California owned by the FDIC on January 9, 1997, and that was owned by the Resolution Trust Corporation (the "RTC") on December 31, 1995, or that became property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying Improvement Levy imposed pursuant to the Mello-Roos Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other Improvement Levy, including the Improvement Levy which secure the Bonds may be challenged by the FDIC.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. The City has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Loss of Tax Exemption

As discussed under the caption **"LEGAL MATTERS - Tax Matters"** herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants contained in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Fiscal Agent Agreement.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

THE CITY

The City encompasses 27½ square miles and is located in Solano County, at the juncture of the Napa River with the San Pablo Bay and Suisun Bay. The City is situated 32 miles northeast of San Francisco, 22 miles north of Oakland, 47 miles southwest of Sacramento and 80 miles north of San Jose. Neighboring cities include Benicia, American Canyon, Fairfield, Vacaville and Napa.

The City was incorporated on March 26, 1868, is a charter city and operates under the Council/Manager form of government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City Council is composed of the Mayor and 6 members elected bi-annually at large to four-year alternating terms. The Mayor is elected at large to a four year term. The City employs a staff of 640 employees under the direction of the City Manager.

THE DISTRICT

The information set forth herein regarding property owners within the District and any proposed development of property in the District was provided by others and has not been independently verified. The City makes no representation as to the accuracy or completeness of any such information. This information has been included because it is considered relevant to an informed evaluation of the District. No assurance can be given that any additional development within the District will occur, or that it will occur in a timely manner. The information should not be construed to suggest that the Bonds or the Improvement Levy that will be used to pay the Bonds are personal obligations of the property owners within the District.

The owner of the property within the District will not be personally liable for payments of the Improvement Levy to be applied to pay the principal of and interest on the Bonds. Accordingly, no property owner's financial statements have been included in this Official Statement. Furthermore, no representation is made that the property owner will have funds available to complete any further development within the District.

Property Description

Location. The District is located east of Interstate Highway 80, southeast of the Columbus Parkway exit and south of Columbus Parkway between Admiral Callahan Lane and St. John's Mine Road within the City.

Facilities Description. The facilities shown below (the "Facilities") are to be financed by the District. The Facilities shall include the attributable costs of engineering, design, planning and coordination, together with the expenses related to the issuance and sale of any bonds, including underwriter's discount, underwriter's counsel, appraisals, reserve fund, capitalized interest, bond counsel, disclosure counsel, official statement printing and all other expenses incidental thereto. The Facilities shall be constructed pursuant to plans and specifications approved by the City. The Facilities are:

1. Improvements to complete the portion of Columbus Parkway between Admiral Callaghan Lane and Redwood Parkway, including clearing, grubbing, grading, base, wearing surface, curbs, gutters, sanitary sewers, storm drains, 400 zone potable water lines, raw water lines, fire hydrants, sidewalks, traffic signs and signals, landscaping, related irrigation systems and lighting.

2. Improvements to a portion of Ascot Parkway between Turner Parkway and Columbus Parkway, including clearing, grubbing, grading, base, wearing surface, curbs, gutters, sanitary sewers, storm drains, potable water lines, raw water lines, fire hydrants, sidewalks, traffic signs and signals, landscaping, related irrigation systems and lighting.

3. Improvements to Turner Parkway for a left turn pocket and driveway west of Ascot Parkway, including clearing, grubbing, demolition, grading, base, wearing surface, curbs, gutters, sanitary sewers, storm drains, potable water lines, raw water lines, fire hydrants, sidewalks, traffic signs and signals, landscaping, related irrigation systems and lighting.

4. Improvements to Open Space Parcels A, B and C1, including clearing, grubbing, grading, landslide repair, under drain system, storm drains, access roadways, fencing, park improvements, landscaping, and related irrigation systems and lighting.

5. The payment of all amounts necessary to eliminate any fixed special assessment liens or to repay or defease any indebtedness of any tax, fee, charge or assessment levied on lands in the boundaries of the District.

THE DEVELOPMENT

The information set forth below regarding ownership and development of properties in the District was provided by the Property Owner and has not been independently verified. Information regarding any particular Property Owner was provided solely by that Property Owner and no other Property Owner shall be responsible for the accuracy of such information. The Property Owner does not represent nor warrant that the following information is accurate.

This information has been included because it may be considered relevant to an informed evaluation of the District and the Bonds. As development of the Project is in its early stages, no assurances can be given that development will occur, or that it will occur in a timely manner or in the configuration or the intensity described herein. The Property Owner will not be personally liable for payments of the Improvement Levy to be applied to pay the principal of, premium, if any, and interest on the Bonds. No assurance can be given that the Property Owner will continue to hold an interest in the Project. Furthermore, no assurance can be given that the Property Owner will have substantial funds available for the development of the Project. Accordingly, the Property Owner's financial statements are not included in this Official Statement (see "BONDOWNERS' RISKS" herein).

Property Ownership

Northgate Business Park, LLC, a California limited liability company ("NGBP") owns Parcels 1 through 7 (79.0 acres) and open space Parcels A, B and C1 (15.39 acres). Parcel 8A (9.82 acres) is owned by Solano Community College District. Following is a map showing the location of all the Parcels included in District 2003-1.

The members of NGBP are as follows: H.R. van Triest, a California limited liability company ("HRVT"), Mandarich Developments, a California corporation ("MD") and Gary L. Mandarich ("Mr. Mandarich"). MD was established on January 1, 1998. MD is 100% owned by Mr. Mandarich and MD is the manager of NGBP. Mr. Mandarich has a Bachelor of Science degree in Civil Engineering from the University of Colorado, and over thirty years of real estate development experience, including the development of over $500 million in land and housing for one of the nation's top ten public homebuilding companies. Since 1998, MD has developed over $100 million of land and housing with HRVT.

NGBP, LLC acquired title to the Parcels on September 29, 2000, and have not been in default or delinquent in the payment of property taxes nor special taxes and/or assessments.

Wilson-Cornelius, LLC ("Wilson") has entered into a purchase agreement to buy Parcel 1 consisting of 7.01 acres for $1,900,000. The earnest money deposit is $25,000 and Wilson must close escrow by December 31, 2003. Wilson plans to construct a new building to relocate its existing Ford dealership in Vallejo to this site. Wilson must obtain a Major Use Permit in order to build an auto dealership on Parcel 1.

Kenneth B. Ross ("Ross") has entered into a purchase agreement to buy Parcel 2 consisting of 7.84 acres for $1,900,000, and a purchase agreement to buy Parcel 7 consisting of 12.13 acres for $2,700,000. The earnest money deposit for each parcel is $25,000 and Ross must close both escrows by December 31, 2003. Ross plans to construct a new building to relocate its existing Chevrolet dealership in Vallejo to Parcel 2, and its existing Hyundai dealership in Vallejo to a portion of Parcel 7. Ross must obtain Major Use Permits in order to build auto dealerships on Parcels 2 and 7.

The purchase agreements for Parcels 1 and 2 require both Wilson and Ross to close escrow simultaneously. If either party fails to close its respective parcel, then both parties lose their rights to purchase these parcels. Ross will also lose the right to purchase Parcel 7 if escrow is not closed on Parcel 2. Upon transfer of ownership to Wilson and Ross, Parcels 1, 2 and 7 will be subject to Covenants, Conditions and Restrictions ("CC&R's") that limit the use of the property to "automotive and equipment" purposes for specified periods of five years.

Development Plans

The 109 acres within the District 2003-1 boundaries contains eight legal parcels for development (Parcels 1 through 8A), three legal parcels for open space (Parcels A, B and C1), and the road right-of-way for North Ascot Parkway. The following is a brief description of the development status of each parcel and roadways required for the development of the property within the District:

Parcels 1-8A and A, B and C1 have been graded and have approved land uses per the Northgate Specific Plan. A Final Map, land development improvement plans and architectural plans are being reviewed by the City for a 133 single-family detached housing development known as Hyde Park on Parcel 3.

North Ascot Parkway is a four-lane road that extends Ascot Parkway between Turner Parkway and Columbus Parkway. This road is currently under construction and is scheduled for completion (excluding landscaping) in February 2004. The landscaping is scheduled for completion in December 2004.

Columbus Parkway is located along the northern border of Parcels 1, 2, 7, 8A, B and C1. The portion of Columbus Parkway between Admiral Callaghan Lane and North Ascot Parkway has been widened by the City from a two-lane road to a four-lane road with a median island and turn lanes. Completion of the widening work on Columbus Parkway between North Ascot and the east end of the District is the responsibility of the City, and is expected to be completed by July 2005. Additional improvements may also be required at the intersection of Admiral Callaghan Lane and Columbus Parkway for the property within the District and other properties in the area.

Parcel 1: This 7.01-acre parcel is located on the southeast corner of Admiral Callaghan Lane and Columbus Parkway. This parcel has limited access to a shared driveway off Columbus Parkway (right-in, right-out, and left-in). A joint easement agreement with the property owner of Parcel 2 must be executed for use of the shared driveway. The terms of the easement agreement have not been established since the ultimate ownership and land use on Parcels 1 and 2 are unknown. Additional access to Parcel 1 is from Admiral Callaghan Lane (right-in and right-out.) Storm drainage lines and easements cut across Parcel 1 that may restrict the development plans of this parcel.

Parcel 2: This 7.84-acre parcel is located on the southwest corner of Columbus Parkway and North Ascot Parkway (under construction). There is a 75-foot wide easement with high-voltage overhead electrical transmission lines running diagonally across the site. The location of this easement and overhead electrical transmission lines may restrict the development of this parcel. A proposed joint easement agreement for the shared driveway between Parcels 1 and 2 is required before Parcel 2 can be developed. Additional access to Parcel 2 will be from a full turning movement intersection on North Ascot Parkway.

Parcel 3: This 26.96-acre parcel is located along the west side of North Ascot Parkway. A Unit Plan and a Vested Tentative Map for 133 homes has been approved by the City. This approval allows the neighborhood to be gated between the hours of 8:00PM and 6:00AM. There is a 75-foot wide easement with high-voltage overhead electrical transmission lines running diagonally across the site. There are approximately 1.7 acres of downhill slope on the western portion of the property. This slope will be owned by a homeowner's association ("HOA") and maintained by the City's Northeast Quadrant Landscape Maintenance District. The HOA will be formed for the ownership and maintenance of the streets within Parcel 3, the 75-foot wide power line easement, parks and open space areas, entry gates and signs.

This parcel has been graded and access to the site will be from a signalized full turning movement intersection on North Ascot Parkway. A Final Map, Improvement Plans and a Subdivision Agreement must be approved by the City before the land development improvements can be completed and homes started. Following is a site plan of Hyde Park.

Four floor plans are proposed for Hyde Park that range from 2,400 to 3,000 square feet. The estimated sale price is between $450,000 and $550,000. Construction of the four model homes and a sales office is scheduled to start in January 2004 with completion by July 2004. Production homes are scheduled to start in February 2004 with the first home closing projected for August 2004.

Parcel 4: This 10.88-acre parcel is located on the northwest corner of North Ascot Parkway and Turner Parkway. The parcel has been sheet graded. A portion of this site, approximately 1.8 acres, is a downhill slope above the existing Costco store. The ownership of this slope runs with the property. The maintenance of this slope including the landscaping maintenance will be performed by the City's Northeast Quadrant Landscape Maintenance District. Access to Parcel 4 will be provided by a signalized full turning movement intersection at Turner Parkway and Tiara Drive. In addition, there is a right-in, right-out, and left-in turning movement into Parcel 4 from North Ascot Parkway.

Parcel 4 is approved for neighborhood shopping and services. Mandarich Developments and H.R. van Triest, LLC are planning to build a 100,000 square-foot shopping center on this site in 2005. Mandarich Developments and H.R. van Triest, LLC are currently planning to own this shopping center.

Parcel 5: This 10.13-acre parcel is located along the east side of North Ascot Parkway. The parcel has been sheet graded and a signalized full turning movement intersection is being built for access into this site from North Ascot Parkway. In addition, secondary access will be provided through Parcel 6, which is adjacent to the north side of Parcel 5.

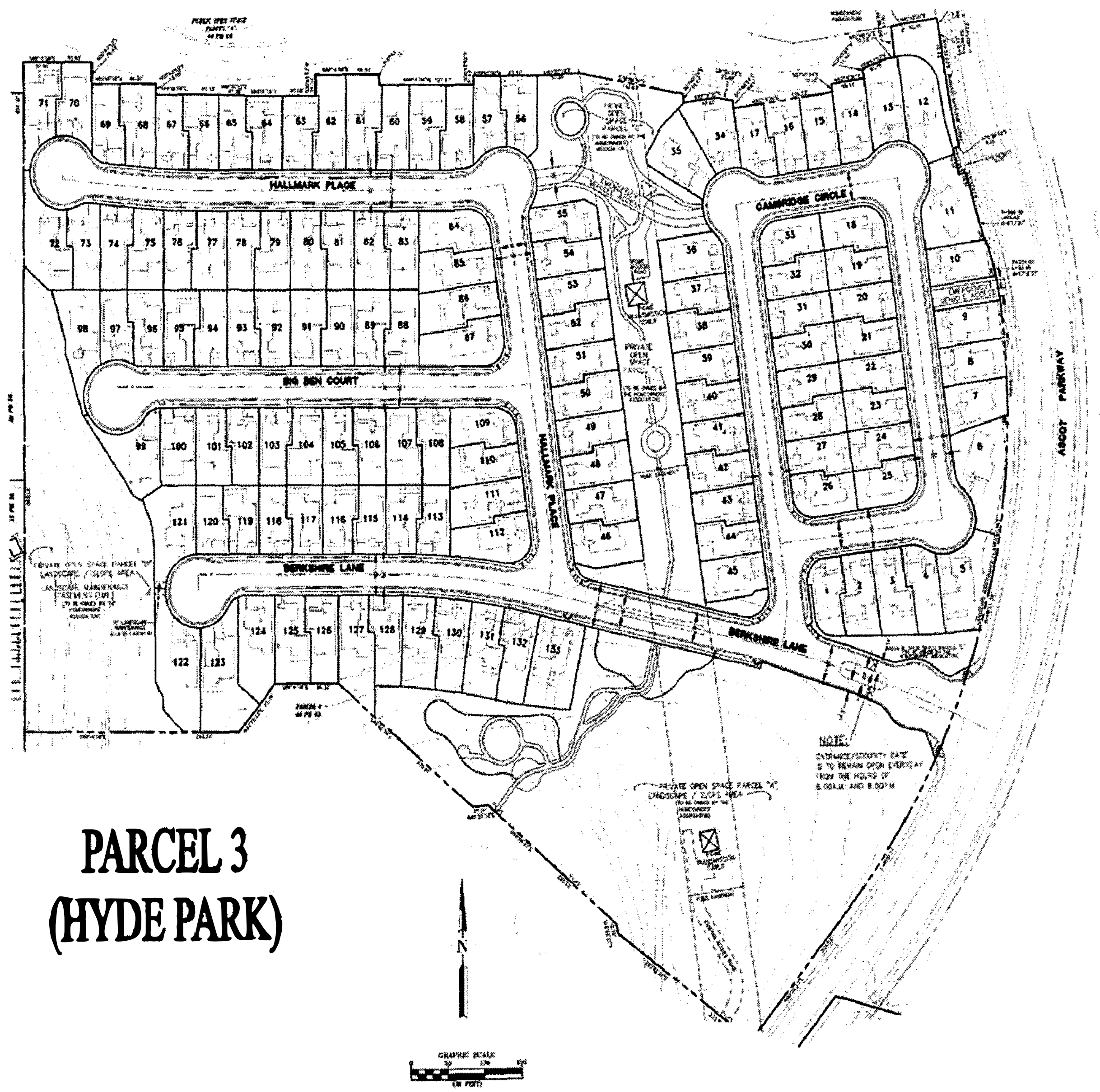
Parcel 5 is approved for mixed-used development, which includes senior housing, retail and lodging. Mandarich Developments and H.R. van Triest, LLC are planning a senior housing project for this property.

Parcel 6: This 4.05-acre parcel is located along the east side of North Ascot Parkway. The parcel has been sheet graded and a full turning movement intersection is being built on North Ascot Parkway for this site. In addition, secondary access will be provided through Parcel 5, which is adjacent to the south side of Parcel 6. The use of this property will be determined based upon the market conditions and uses of the other properties within the District.

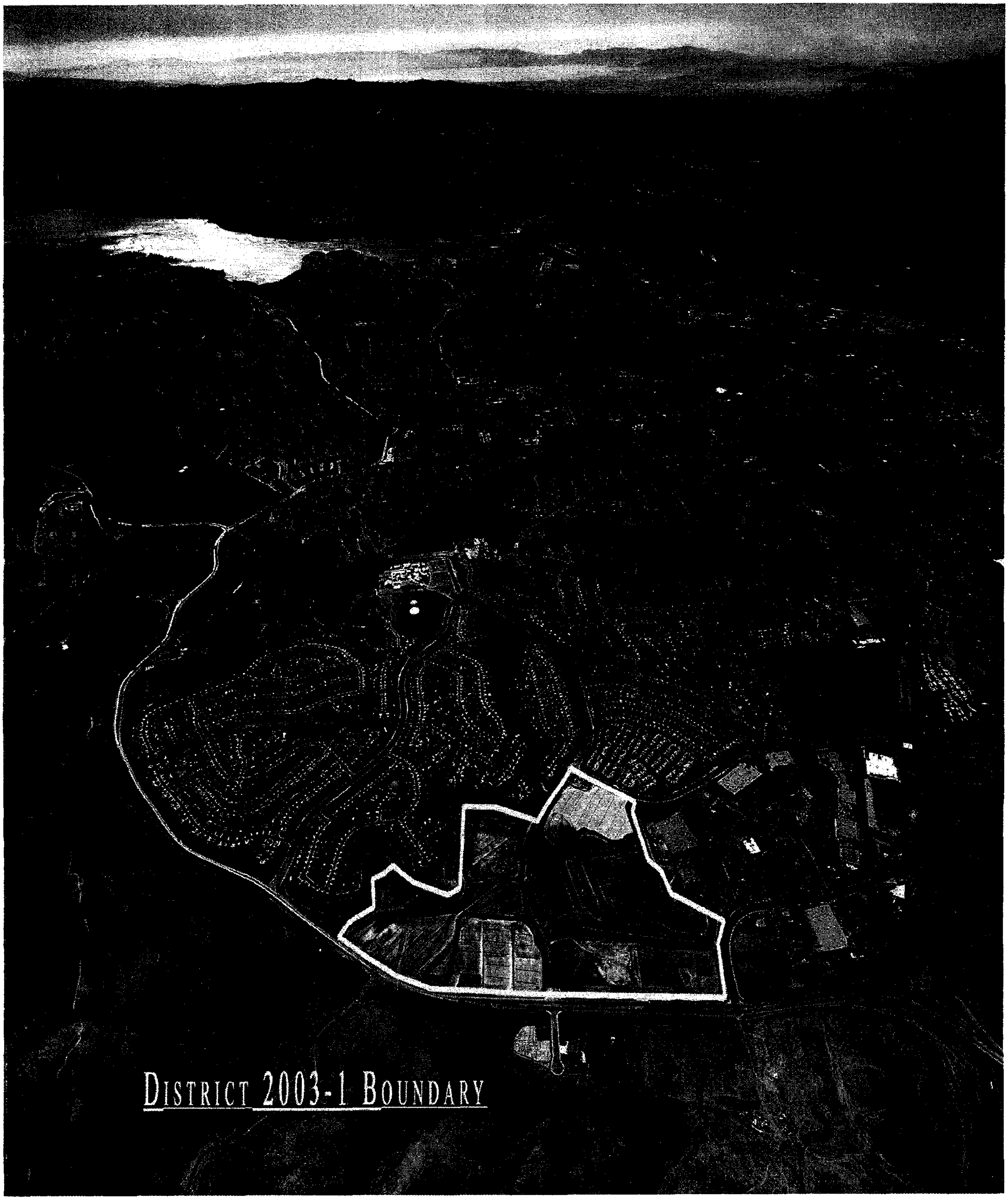
Parcel 7: This 12.13-acre parcel is located on the southeast corner of Columbus Parkway and North Ascot Parkway. The parcel has been sheet graded into three building pads that total approximately 10.6 acres and an uphill slope of 1.5 acres. Maintenance of the slope will be the responsibility of the landowner of Parcel 7. Access to Parcel 7 is limited off Columbus Parkway to a right-in, right-out and left-in. A full turning movement intersection into Parcel 7 is being built on North Ascot Parkway. The property also has storm drainage lines and easements across the site that may restrict development.

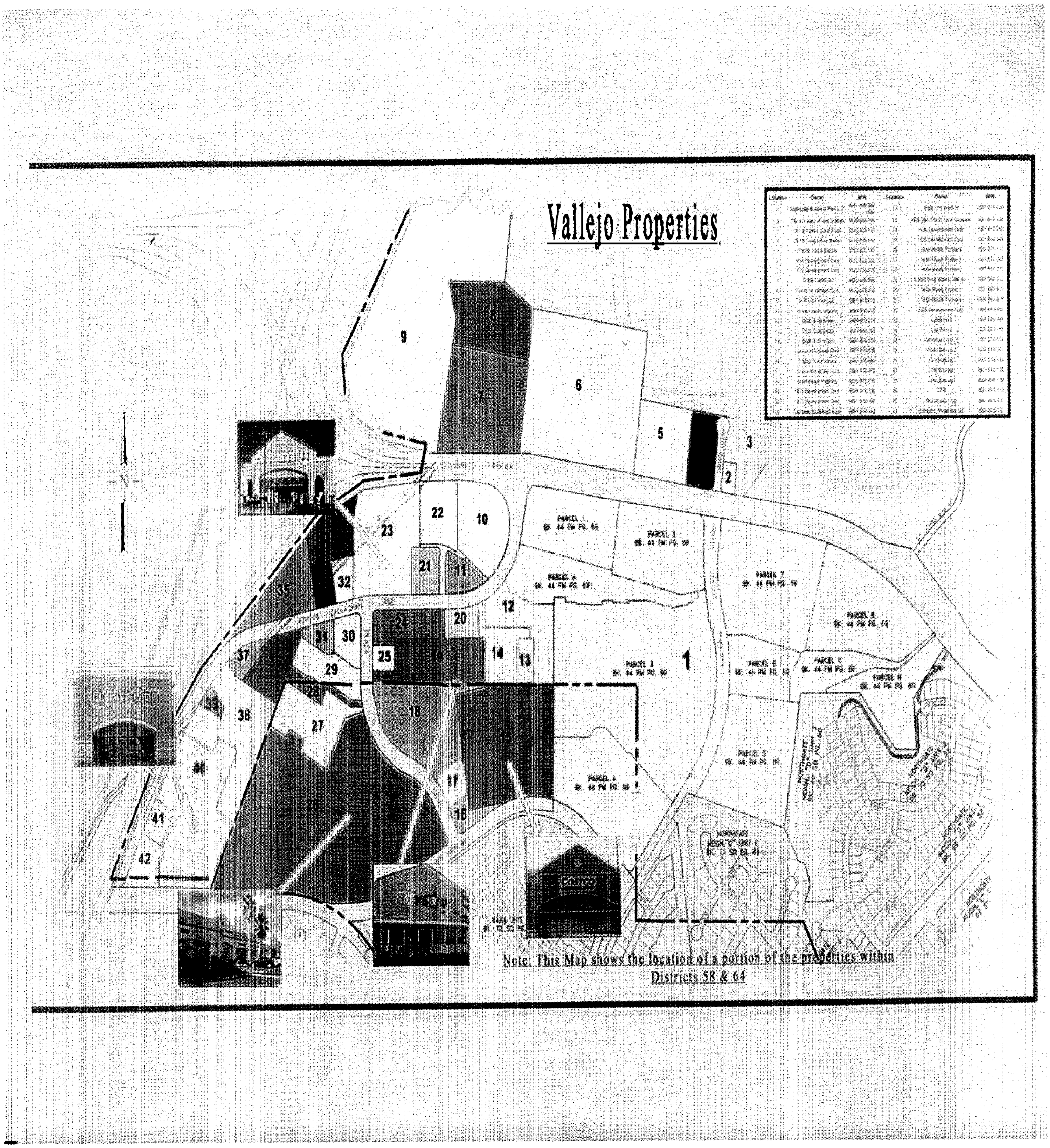
Parcel 8A: This 9.82-acre parcel is located along the south side of Columbus Parkway and was acquired by Solano Community College District on November 21, 2003. The College is planning to build its first building of approximately 40,000 square feet in 2005.

Parcels A, B and C1: These three open space parcels have been graded. NGBP will complete the landscaping of Parcels A and C1 in 2004. The owner of Hyde Park (Parcel 3) will be responsible for the improvement of Parcel B as a neighborhood park, which should be completed in 2004. The City will accept ownership of Parcel A, B and C1 upon completion of the work. Parcels A and C1 will be maintained by the City's Northeast Quadrant Landscape Maintenance District, and Parcel B will be maintained by the City and the Greater Vallejo Recreation and Park District.



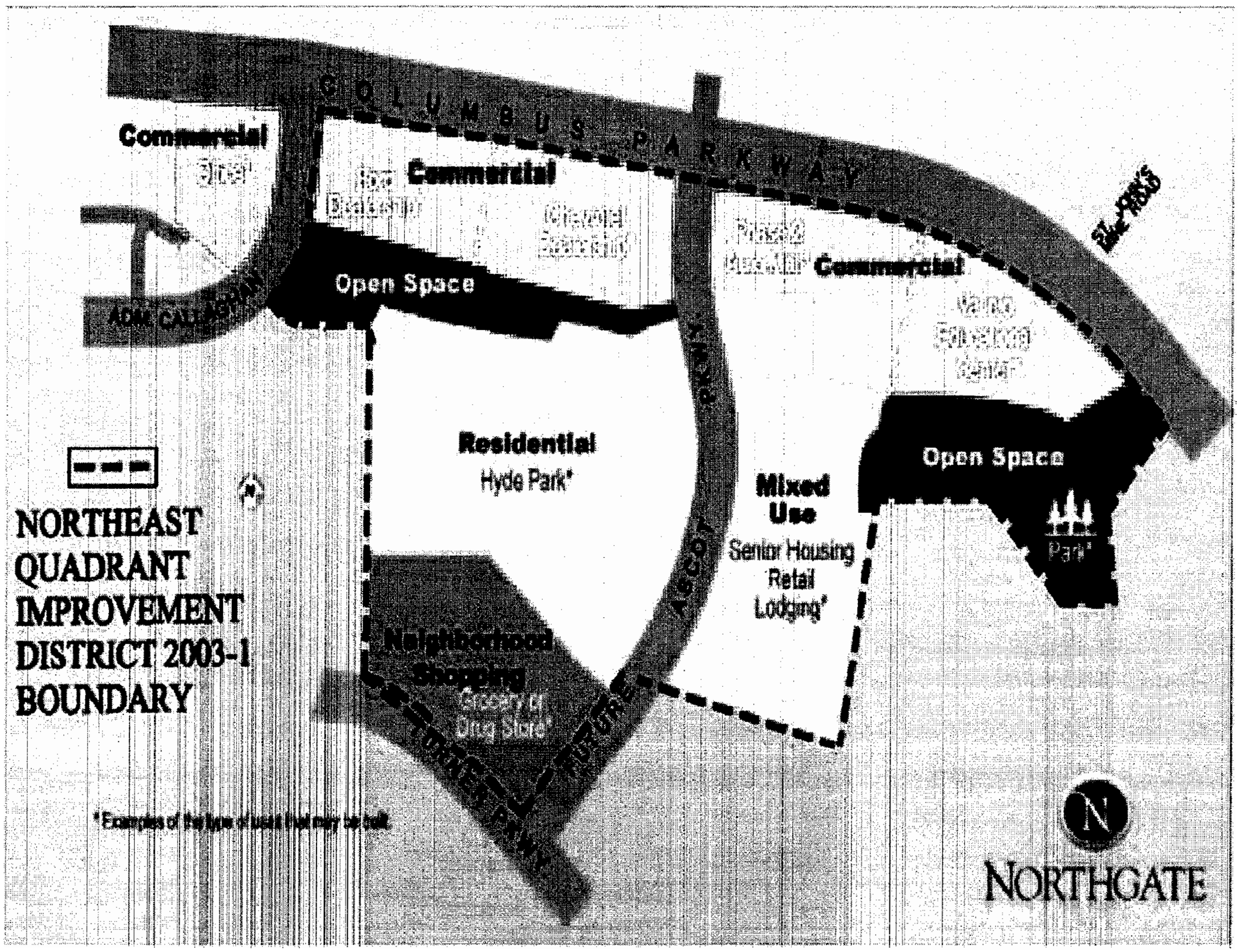
PARCEL 3
(HYDE PARK)


District 2003-1 Boundary



Vallejo Properties
Note: This Map shows the location of a portion of the properties within Districts 58 & 64

Northgate -Mixed Use Development Plan



DEBT STRUCTURE

Additional Bonds

The Fiscal Agent Agreement does not allow any additional bonds.

Direct and Overlapping Debt

Set forth in Table No. 1 is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., as of November 1, 2003. The Debt Report is included for general information purposes only. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations are not payable from Improvement Levy nor are they necessarily obligations secured by property within the District. 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.

Presently, the District is subject to $459,848 of direct and overlapping tax and assessment debt and overlapping general fund obligation debt, a figure which includes the Bonds. To repay the direct and overlapping tax and assessment debt and overlapping lease obligation debt, the property owners of the land within the District must pay the annual assessments and the general property tax levy.

In addition, other public agencies whose boundaries overlap those of the District could, without the consent of the City, and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the real property within the District in order to finance public improvements or services to be located or furnished inside of or outside of the District. The lien created on the real property within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Improvement Levy. The imposition of additional liens on a parity with the Improvement Levy may reduce the ability or willingness of the landowners to pay the Improvement Levy and increase the possibility that foreclosure proceeds, if any, will not be adequate to pay delinquent Improvement Levy.

TABLE NO. 1
NORTHEAST QUADRANT IMPROVEMENT DISTRICT NO. 2003-1
OF THE CITY OF VALLEJO
DIRECT AND OVERLAPPING DEBT

2003-04 Local Secured Assessed Valuation: $10,098,750

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/03	
Vallejo Unified School District	0.148 %	$128,760	
Vallejo Unified School District Community Facilities District No. 2	0.0002	38	
City of Vallejo Northeast Quadrant I.D. No. 2003-1	**100.**	-	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$128,798	
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Solano County Certificates of Participation	0.044%	$ 70,583	
Solano County Office of Education Certificates of Participation	0.044	1,780	
Vallejo Unified School District Certificates of Participation	0.174	44,240	
City of Vallejo Certificates of Participation	0.176	214,447	
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		$331,050	
COMBINED TOTAL DEBT		$459,848	(2)

(1) Excludes 1915 Act bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2003-04 Assessed Valuation:
Direct Debt .... - %
Total Direct and Overlapping Tax and Assessment Debt 1.28%
Combined Total Debt 4.55%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: $0

Source: California Municipal Statistics

Scheduled Debt Service on the Bonds

The following is the scheduled Debt Service on the Bonds, assuming no optional redemption or redemption by reason of Improvement Levy Prepayments.

Interest Payment Date	Principal	Coupon	Interest	Annual Debt Service
March 1, 2004			$ 97,345.97	
September 1, 2004			236,787.50	$ 334,133.47
March 1, 2005			236,787.50	
September 1, 2005	$ 120,000.00	2.850%	236,787.50	593,575.00
March 1, 2006			235,077.50	
September 1, 2006	120,000.00	3.350%	235,077.50	590,155.00
March 1, 2007			233,067.50	
September 1, 2007	125,000.00	3.800%	233,067.50	591,135.00
March 1, 2008			230,692.50	
September 1, 2008	130,000.00	4.200%	230,692.50	591,385.00
March 1, 2009			227,962.50	
September 1, 2009	135,000.00	4.500%	227,962.50	590,925.00
March 1, 2010			224,925.00	
September 1, 2010	145,000.00	4.750%	224,925.00	594,850.00
March 1, 2011			221,481.25	
September 1, 2011	150,000.00	5.000%	221,481.25	592,962.50
March 1, 2012			217,731.25	
September 1, 2012	155,000.00	5.250%	217,731.25	590,462.50
March 1, 2013			213,662.50	
September 1, 2013	165,000.00	5.500%	213,662.50	592,325.00
March 1, 2014			209,125.00	
September 1, 2014	175,000.00	5.500%	209,125.00	593,250.00
March 1, 2015			204,312.50	
September 1, 2015	185,000.00	5.750%	204,312.50	593,625.00
March 1, 2016			198,993.75	
September 1, 2016	195,000.00	5.750%	198,993.75	592,987.50
March 1, 2017			193,387.50	
September 1, 2017	205,000.00	6.000%	193,387.50	591,775.00
March 1, 2018			187,237.50	
September 1, 2018	220,000.00	6.000%	187,237.50	594,475.00
March 1, 2019			180,637.50	
September 1, 2019	230,000.00	6.000%	180,637.50	591,275.00
March 1, 2020			173,737.50	
September 1, 2020	245,000.00	6.000%	173,737.50	592,475.00
March 1, 2021			166,387.50	
September 1, 2021	260,000.00	6.000%	166,387.50	592,775.00
March 1, 2022			158,587.50	
September 1, 2022	275,000.00	6.000%	158,587.50	592,175.00
March 1, 2023			150,337.50	
September 1, 2023	290,000.00	6.000%	150,337.50	590,675.00
March 1, 2024			141,637.50	
September 1, 2024	310,000.00	6.000%	141,637.50	593,275.00
March 1, 2025			132,337.50	
September 1, 2025	330,000.00	6.000%	132,337.50	594,675.00
March 1, 2026			122,437.50	
September 1, 2026	345,000.00	6.000%	122,437.50	589,875.00
March 1, 2027			112,087.50	
September 1, 2027	370,000.00	6.125%	112,087.50	594,175.00
March 1, 2028			100,756.25	
September 1, 2028	390,000.00	6.125%	100,756.25	591,512.50
March 1, 2029			88,812.50	
September 1, 2029	415,000.00	6.125%	88,812.50	592,625.00
March 1, 2030			76,103.13	
September 1, 2030	440,000.00	6.125%	76,103.13	592,206.26
March 1, 2031			62,628.13	
September 1, 2031	465,000.00	6.125%	62,628.13	590,256.26
March 1, 2032			48,387.50	
September 1, 2032	495,000.00	6.125%	48,387.50	591,775.00
March 1, 2033			33,228.13	
September 1, 2033	525,000.00	6.125%	33,228.13	591,456.26
March 1, 2034			17,150.00	
September 1, 2034	560,000.00	6.125%	17,150.00	594,300.00

SUMMARY OF THE FISCAL AGENT AGREEMENT

The following is a brief summary of certain provisions of the Fiscal Agent Agreement not otherwise described in other sections of this Official Statement. Such summary is not intended to be definitive, and reference is made to the text of the Fiscal Agent Agreement for the complete terms thereof.

Funds and Accounts

The following funds and accounts are established pursuant to the Fiscal Agent Agreement:

Improvement Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo 2003 Improvement Bonds Improvement Fund to the credit of which fund deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be disbursed, except as otherwise provided in the Fiscal Agent Agreement for the Closing Fund, for the payment or reimbursement of costs of the Project.

Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall:

(A) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made, the person to which the disbursement is to be paid and state that such disbursement is for a Project Cost; and

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

Moneys in the Improvement Fund shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits from such investment shall be retained in the Improvement Fund to be used for the purpose of such fund.

Refunding Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held by the Fiscal Agent, the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo 2003 Improvement Bonds Refunding Fund. Amounts in this Fund are not pledged as security for the Bonds. On the Closing Date, the Fiscal Agent will transfer all amounts on deposit in the Refunding Fund to Wells Fargo Bank, National Association, as escrow bank under the Escrow Agreement, dated as of December 1, 2003, by and between the City and the escrow bank, to be used to pay in full and discharge the Prior Bonds as provided in said escrow agreement. After disbursement of all amounts on deposit in the Refunding Fund, the Refunding Fund will be closed.

Administrative Expense Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held by the Finance Director, the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo 2003 Improvement Bonds Administrative Expense Fund to the credit of which deposits will be made as required by the Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held by the Finance Director for the benefit of the City, and shall be disbursed as provided below. Amounts in this Fund are not pledged as security for the Bonds.

Amounts in the Administrative Expense Fund shall be withdrawn by the Finance Director and paid to the City or its order upon receipt by the Finance Director of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense, and the nature of such Administrative Expenses. Annually, on the last day of each Fiscal Year commencing with the last day of Fiscal Year 2003/04, the Finance Director shall withdraw from the Administrative Expense Fund and transfer to the Improvement Levy Fund any amounts in excess of that which is needed to pay any Administrative Expenses incurred but not yet paid.

Moneys in the Administrative Expense Fund must be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment will be retained by the Finance Director in the Administrative Expense Fund to be used for the purposes of such fund.

Costs of Issuance Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held by the Fiscal Agent, the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo 2003 Improvement Bonds Costs of Issuance Fund to the credit of which a deposit will be made as required by the Fiscal Agent Agreement. Amounts in this Fund are not pledged as security for the Bonds.

Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Finance Director and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the Closing Date and then will transfer any moneys remaining therein, including any investment earnings thereon, to the Finance Director for deposit by the Finance Director in the Administrative Expense Fund for the payment of any unpaid Costs of Issuance and every invoice and requisition received thereafter by the Fiscal Agent for unpaid Costs of Issuance shall be submitted to the City for payment.

Bond Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held by the Fiscal Agent, the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo 2003 Improvement Bonds Bond Fund, to the credit of which deposits will be made as required by the Fiscal Agent Agreement and any other amounts required to be deposited therein by the Fiscal Agent Agreement. Moneys in the Bond Fund required to be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

On each Interest Payment Date, the Fiscal Agent is required to withdraw from the Bond Fund and pay to the Owners of the Bonds the principal, and interest and any premium, then due and payable on the Bonds. In the event the amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent shall promptly 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 purposes set forth in the preceding paragraph, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the first sentence of the second preceding paragraph, 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.

Reserve Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held by the Fiscal Agent, the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo 2003 Improvement Bonds Reserve Fund, to the credit of which a deposit will be made as required by the Fiscal Agent Agreement equal (or be in excess of) to the Reserve Requirement as of the Closing Date for the Bonds. Moneys in the Reserve Fund will be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

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

Whenever, on the Business Day prior to any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent shall provide written notice to the Finance Director of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date.

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

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund as described in the preceding paragraph until after (i) the calculation of any amounts due to the federal government pursuant to the rebate provision of the Fiscal Agent Agreement following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

Moneys in the Reserve Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment will be used for the purposes of the Reserve Fund described above.

Improvement Levy Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held in trust by the Finance Director, the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo 2003 Improvement Bonds Improvement Levy Fund, to the credit of which the Finance Director shall deposit, immediately upon receipt, all Improvement Levy Revenues received by the City and any amounts required by the Fiscal Agent Agreement to be deposited therein. Moneys in the Improvement Levy Fund and shall be held by the Finance Director for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

As soon as practicable after the receipt by the City of any Improvement Levy Revenues or the transfer of amounts for the payment of Administrative Expenses pursuant to the Fiscal Agent Agreement, but no later than ten (10) Business Days after such receipt or transfer, the Finance Director shall withdraw from the Improvement Levy Fund and transfer: (i) to the Fiscal agent for deposit in the Bond Fund, (a) an amount necessary to pay any principal or interest on the Bonds not paid when due, together with additional interest at rate of the Bonds to the expected date of payment from the date such payment was due, plus (b) an amount, taking into account any amounts then on deposit in the Bond Fund, such that the amount in the Bond Fund equals the principal (including any mandatory sinking fund installment), premium, if any, and interest due on the Bonds on the next two Interest Payment Dates with respect to Improvement Levy Revenues received during the period from September 1 through the last day of February in any year, and on the next Interest Payment Date with respect to Improvement Levy Revenues received during the period from March 1 through the last day of August in any year; (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, so that the amount in the Reserve Fund equals the Reserve Requirement; and (iii) after the foregoing transfers, any amount remaining in the Improvement Levy Fund shall be transferred to the Administrative Expense Fund.

Moneys in the Improvement Levy Fund shall be invested and deposited by the Finance Director in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Improvement Levy Fund to be used for the purposes thereof.

Covenants of the City

The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Improvement Levy Revenues and the amounts in the Bond Fund, the Reserve Fund and the Improvement Levy Fund created under the Fiscal Agent Agreement.

In order to prevent any accumulation of claims for interest after maturity, the City may not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest is extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which will not have been so extended or funded.

The City will not encumber, pledge or place any charge or lien upon any of the Improvement Levy Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien under the Fiscal Agent Agreement for the benefit of the Bonds or their Owners, except as permitted by the Fiscal Agent Agreement.

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 expenditure of amounts disbursed from the Administrative Expense Fund and the Improvement Levy Fund and to the Improvement Levy Revenues. Such books of record and accounts will at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

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, if any, all 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 business hours be subject to the inspection of the City 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 upon reasonable prior notice.

On or within five (5) Business Days of each June 1, the Fiscal Agent is required provide the Finance Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund, and informing the City that the Improvement Levies need to be levied pursuant to the Ordinance as necessary to provide for Annual Debt Service and Administrative Expenses and replenishment (if necessary) of the Reserve Fund so that the balance therein equal the Reserve Requirement. 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 is required to communicate with the Auditor to ascertain the relevant parcels on which the Improvement Levies are to be levied, taking into account any parcel splits during the preceding and then current year.

The Finance Director is required to effect the levy of the Improvement Levies 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 Improvement Levy amounts for the parcels within the District 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 will transmit to the Auditor, such data as the Auditor requires, to include the levy of the Improvement Levies on the next real property tax roll.

The Finance Director is required to fix and levy the amount of Improvement Levies within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds, and an amount estimated to be sufficient to pay the Administrative Expenses during such year, including amounts necessary to discharge any rebate obligation, taking into account the balances in such funds and in the Improvement Levy Fund. The Improvement Levies so levied will not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Improvement Levies 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.

Pursuant to the Act, the City covenants in 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 hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Improvement Levy or installment thereof not paid when due as provided in the following paragraph. The Finance Director is required to notify the City Attorney of any such delinquency of which it is aware, and the City Attorney will commence, or cause to be commenced, such proceedings.

On or about March 30th and June 30th of each Fiscal Year, the Finance Director is required to compare the amount of Improvement Levies theretofore levied in the District to the amount of Improvement Levy Revenues theretofore received by the City, and if the Finance Director determines that any single parcel subject to the Improvement Levy in the District is delinquent in the payment of Improvement Levies in the aggregate amount of $3,000 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 60 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 120 days of such determination.

If the Finance Director determines that (i) the total amount of delinquent Improvement Levy for the prior Fiscal Year for the entire District (including the total of delinquencies under the preceding paragraph, exceeds five percent (5%) of the total Improvement Levy due and payable for the prior Fiscal Year, or (ii) there are ten (10) or fewer owners of real property within the District, determined by reference to the latest available secured property tax roll of the County, the City shall notify or cause to be notified property owners who are then delinquent in the payment of Improvement Levies (and demand immediate payment of the delinquency) within 60 days of such determination and shall commence foreclosure proceedings within 120 days of such determination against each parcel of land in the District with an Improvement Levy delinquency.

The City will 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 Bonds. The Finance Director shall take note of any investment of monies hereunder in excess of the yield on the Bonds, and shall take such actions as are necessary to ensure compliance with the Fiscal Agent Agreement, such as increasing the portion of the Improvement Levy for Administration Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under the Fiscal Agent Agreement. If necessary, the City may use earnings on amounts in the Reserve Fund, amounts on deposit in the Administrative Expense Fund, and any other funds available to the District, including amounts advanced by the City, in its sole discretion, to be repaid by the District as soon as practicable from amounts described in the preceding clauses, to satisfy its obligations described in this paragraph.

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 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 Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

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

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

The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement.

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

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 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

Investments

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent is required to be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent will invest any such moneys in the Permitted Investments described in clause (g) of the definition thereof or in Federal Securities which by their terms mature prior to the date in which such moneys are required to be paid out under the Fiscal Agent Agreement, or otherwise hold such amounts uninvested. The Finance Director will invest moneys in any fund or account created or established by the Fiscal Agent Agreement and hold it in any Permitted Investment, which in any event by their terms mature prior to the date on which such moneys are required to be paid out; provided that amounts on deposit in the Administrative Expense Fund may be invested in any lawful investment the City may make. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director will incur any liability for losses arising from any investments made pursuant to the Fiscal Agent Agreement. The Fiscal Agent will not be required to determine the legality of any 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 Series A Bonds (within the meaning of Section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the 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 Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund will be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent will not be liable for verification of the application of such sections of the Code.

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 herein 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, provided that the Fiscal Agent or the Finance Director, as applicable, will at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement. The Fiscal Agent or the Finance Director, as applicable, will sell at Fair Market Value, or present for redemption, any investment security whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director will be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Liability of the City

The City will not incur any responsibility in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly therein or in the Bonds assigned to or imposed upon it. The City will 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 will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the 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.

In the absence of bad faith, the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of the Fiscal Agent Agreement. The City, including the Finance Director, will not be liable for any error of judgment made in good faith unless it is proved that it was negligent in ascertaining the pertinent facts.

No provision of the Fiscal Agent Agreement will require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Improvement Levy 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 has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The City and the Finance Director may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

The City will not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed.

The Fiscal Agent

The Fiscal Agent is appointed as the fiscal, authentication, paying and transfer agent under the Fiscal Agent Agreement for the Bonds.

The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Fiscal Agent Agreement, and no implied covenants or obligations will be read into the Fiscal Agent Agreement against the Fiscal Agent.

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 will 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, will be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything therein to the contrary notwithstanding. The Fiscal Agent is required to give the Finance Director written notice of such succession.

Upon thirty (30) day prior 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 will be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars ($50,000,000), and be subject to supervision or examination by federal or state authority. If such bank 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 the combined capital and surplus of such bank 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.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City will promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent will become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made within forty-five (45) days after the Fiscal Agent has given to the City written notice or after a vacancy in the office of the Fiscal Agent has 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.

If, by reason of the judgment of any court, or reasonable agency, 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 thereunder 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 thereunder, in trust for the benefit of the Owners of the Bonds.

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

The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, written instructions, or opinions furnished to the Fiscal Agent and conforming to the requirements of the Fiscal Agent Agreement; but in the case of any such certificates, documents, written instructions, or opinions by which any provision of the Fiscal Agent Agreement are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Fiscal Agent Agreement. Except as provided above in this paragraph, Fiscal Agent shall be protected and will incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of the Fiscal Agent Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall reasonably believes to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Fiscal Agent Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it will be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts. No provision of the Fiscal Agent Agreement will 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.

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 pursuant to 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.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, written instructions, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered or omitted by it under the Fiscal Agent Agreement in accordance therewith.

The Fiscal Agent will not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

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

Amendment of the Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (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 Improvement Levies 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.

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:

(A) 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;

(B) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

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

(D) 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.

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.

Discharge of the Bonds and the Fiscal Agent Agreement

The City has the option to pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

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

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the Reserve Fund as provided in the Fiscal Agent Agreement 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 determines as confirmed by Bond Counsel or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the Reserve Fund and in the Bond Fund and accounts therein as provided in the Fiscal Agent Agreement, 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 will 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 Bonds shall not have been surrendered for payment, the pledge of the Improvement Levies 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 Bonds Outstanding shall cease and terminate, except only the obligations of the City, under the Fiscal Agent Agreement, to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and~~,~~ to pay all amounts owing to the Fiscal Agent and thereafter Improvement Levies shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent.

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 remain unclaimed for two (2) years after the principal of all Bonds has become due and payable, shall be paid over to the City as provided in the Fiscal Agent Agreement and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for payment of such Bonds.

FINANCIAL INFORMATION

Administration

The City is required each Fiscal Year to determine the amount of Improvement Levy needed to pay Debt Service on Bonds issued by the District and Administrative Expenses of the District. The City is expected to incur Administrative Expenses for the levy and collection of the Improvement Levy, foreclosure proceedings, Fiscal Agent fees and arbitrage rebate calculations.

The City is required to communicate with the County Auditor to ascertain the relevant parcels on which the Improvement Levy are to be levied, taking into account any parcel splits during the preceding and then current Fiscal Year. The City is required to provide for the levy of the Improvement Levy within the District in the current Fiscal Year. A certified list of all parcels subject to the Improvement Levy, including the amount of the Improvement Levy to be levied on each such parcel, is filed by the City with the County Auditor on or before the tenth (10th) day of August of that tax year. The Improvement Levy so levied may not exceed the Maximum Improvement Levy as provided in the Rate and Method of Apportionment of the Improvement Levy for the District (see **"Rate and Method of Apportionment of the Improvement Levy"** below).

The Improvement Levies are payable and are 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 times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

Improvement Levies are due in two equal installments. Improvement Levies levied become delinquent on the following December 10th and April 10th. Currently a 10% penalty is added to delinquent taxes.

When received, the Improvement Levies are required to be deposited in the Improvement Levy Fund for the District to be held by the City and transferred by the City to the Fiscal Agent as provided in the Fiscal Agent Agreement for the District.

As of the delivery date of the Bonds, the District has retained NBS/Government Finance Group, Temecula, California to assist in the preparation of the Improvement Levy roll and the determination of the amount of Improvement Levy required in each Fiscal Year.

Rate and Method of Apportionment of the Improvement Levy

The City retained NBS/Government Finance Group, Temecula, California, to prepare the Rate and Method of Apportionment of the Improvement Levy. Pursuant to the Rate and Method of Apportionment a Maximum Annual improvement Levy has been assigned to each Parcel within the District as shown below.

IMPROVEMENT LEVY RATE

TIER 1 PARCELS

APN/Parcel	Improvement Levy Rate	Initial Classification	Maximum Annual Improvement Levy
1	47.20539%	Commercial	$25,986.23
2	52.79461%	Commercial	29,063.06
Total	**100.00000%**		**$55,049.29**

TIER 2 PARCELS

APN/Parcel	Improvement Levy Rate	Initial Classification	Maximum Annual Improvement Levy
3	40.15215%	Single Family	$240,654.28
4	17.42796%	Commercial	104,455.51
5	15.08684%	Mix Use	90,423.88
6	6.03176%	Mixed Use	36,151.70
7	21.30128%	Commercial	127,670.49
8A	0%	College District	0.00
Total	**100.00000%**		**$599,355.86**

Projected Improvement Levy and Debt Service

Debt Service on the Bonds has been designed in order that the Improvement Levy levied will be sufficient, if timely received, to pay Debt Service when due on the Bonds.

Fiscal Year	Maximum Annual Improvement Levy	Annual Debt Service	Debt Service Coverage (Expressed as a Percentage)
2004	$337,010*	$337,010	N/A
2005	654,405	593,569	1.10
2006	654,405	590,149	1.11
2007	654,405	591,129	1.11
2008	654,405	591,379	1.11

* Funded by Capitalized Interest.

Delinquencies and Foreclosure Actions

The City has covenanted to initiate foreclosure action in the Superior Court against parcels with delinquent Improvement Levy as provided in the Fiscal Agent Agreement. Penalties and interest collected in any foreclosure action in excess of the interest due on the Bonds are not pledged to the payment of the Bonds.

Foreclosure proceedings are directed by the District through a notification to foreclosure counsel as to the delinquent parcel numbers for which foreclosure proceedings are to be initiated. The City first removes the delinquent Improvement Levy from the County Tax Roll, as required by law. Foreclosure counsel then initiates a request for a title search to identify the current legal owner of a delinquent parcel. Foreclosure counsel also sends a written demand for payment to the owner shown on the Tax Roll, followed by the filing of a complaint with the Superior Court in Solano County and recording a *lis pendens* against the property at the office of the County Recorder.

Each legal owner and all holders of any other interest in the land must file an answer to the complaint within 30 days following the completion of service of process on them. If no answer is filed within such 30 day period, foreclosure counsel files a request that a default judgment be entered by the Court. If any party files an answer, then the case must be litigated, and foreclosure counsel will typically file a motion for summary judgment.

Following the entry of a judgment, whether by default or otherwise, against all defendants, foreclosure counsel requests a writ of sale from the Court for delivery to the Sheriff. The writ of sale is delivered to the Sheriff with instructions to execute on the delinquent parcel. Levy by the Sheriff consists of posting notice on the delinquent property, followed by mailing of notice to the last known address of the legal owner and publication of the notice of levy.

Thereafter, the delinquent property owner is entitled to a redemption period of 120 days. Following such 120 day period, foreclosure proceedings can continue following the publication and mailing of a notice of sale of the delinquent parcel or parcels, which sale must be at least 20 days following such notice. The foreclosure process described above typically takes at least six months from the date on which a judgment is entered, and in some cases can take years to complete.

The District was recently formed and the District has no prior experience collecting the Improvement Levy. Further, property ownership within the District recently changed and the current owners have not as of yet been required to pay any Special Taxes or the Improvement Levy.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Fiscal Agent and the Owners of the Bonds upon an event of default under the Fiscal Agent Agreement or any other document described in the Fiscal Agent Agreement are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds and the Fiscal Agent Agreement is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, will render an opinion which states that the Bonds and the Fiscal Agent Agreement are valid and binding obligations of the City, enforceable in accordance with their terms. The legal opinion of Bond Counsel will be subject to the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity.

The City has no knowledge of any fact or other information which would indicate that the Bonds and the Fiscal Agent Agreement are not so enforceable against the City, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Certain legal matters will be passed on for the City by Frederick G. Soley, Esq., Vallejo, California, City Attorney and by the Law Offices of Osby Davis, Vallejo, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Fulbright & Jaworski L.L.P., as Underwriter's Counsel. Fees and expenses payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Tax Matters

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

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

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

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

Absence of Litigation

The City will furnish a certificate dated as of the date of delivery of the Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Fiscal Agent Agreement or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Fiscal Agent Agreement is to be executed and delivered or the Bonds are to be delivered or affecting the validity thereof.

CONCLUDING INFORMATION

No Rating on the Bonds

The City has not made, and does not contemplate making, any application for a rating on the Bonds. No such rating should be assumed based upon any other City rating that may be obtained. Prospective purchasers of the Bonds are required to make independent determinations as to the credit quality of the Bonds and their appropriateness as an investment. Should a Bondholder elect to sell a Bond prior to maturity, no representations or assurances can be made that a market will have been established or maintained for the purchase and sale of the Bonds. The Underwriter assumes no obligation to establish or maintain such a market and is not obligated to repurchase any of the Bonds at the request of the holder thereof.

The Financing Consultant

The material contained in this Official Statement was prepared by Rod Gunn Associates, Inc., Huntington Beach, California, an independent financial consulting firm, who advised the City as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained by Rod Gunn Associates, Inc. from sources which are believed to be reliable, but such information is not guaranteed by Rod Gunn Associates, Inc. as to accuracy or completeness, nor has it been independently verified. Fees paid to Rod Gunn Associates, Inc. are contingent upon the sale and delivery of the Bonds.

Underwriting

Wulff, Hansen & Co., San Francisco, California (the "Underwriter") is offering the Bonds at the yields and prices set forth on the front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the Bonds at a price equal to $7,916,248.60, which amount represents the principal amount of the Bonds, less original issue discount of $90,351.40 and an Underwriter's discount of $163,400.00. The Underwriter will pay certain of its expenses relating to the offering of the Bonds.

Additional Information

The summaries and references contained in the this Official Statement with respect to the Fiscal Agent Agreement, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Fiscal Agent Agreement. Definitions of certain terms used in the Fiscal Agent Agreement are set forth in "APPENDIX A". Copies of the Fiscal Agent Agreement are available for inspection during the period of initial offering on the Bonds at the offices of the Financing Consultant, Rod Gunn Associates, Inc., 16371 Gothard Street, Suite A, Huntington Beach, California 92647-3652, telephone (714) 841-3993, or the Underwriter, Wulff, Hansen & Co., 201 Sansome Street, 4th Floor, San Francisco, California 94104, telephone (415) 421-8900. Copies of these documents may be obtained after delivery of the Bonds from the City at 555 Santa Clara Street, Vallejo, California 94590.

Experts

A summary of the Appraisal Report prepared by Hulberg & Associates Inc., San Ramon, California, has been included in this Official Statement as "APPENDIX C" in reliance on and upon the authority of said firm as experts in the matters covered therein. The City can provide no assurance that the property appraised in the Appraisal Report can be or will be sold for the appraised value determined by the Appraiser.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement by the City Manager has been duly authorized by the City.

CITY OF VALLEJO

By: /s/ David R. Martinez
City Manager

APPENDIX A
DEFINITIONS OF CERTAIN TERMS

Unless otherwise defined in this Official Statement, the following terms have the following meanings.

"Act" means the City of Vallejo Improvement District Financing Act, being Chapter 14.44, commencing with Section 14.44.010, of Title 14 of the Vallejo Municipal Code.

"Administrative Expenses" means costs directly related to the administration of the District consisting of: the actual costs of computing the Improvement Levies and preparing the annual Improvement Levy collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Improvement Levies (whether by the County or otherwise); the actual costs of remitting the Improvement Levies to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and this Agreement, including those related to public inquiries regarding the Improvement Levy 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 Improvement Levy; 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 District, including costs related to prepayments of Improvement Levies, recordings related to such prepayments and satisfaction of Improvement Levies, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Improvement Levies, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

"Administrative Expense Fund" means the fund designated the "Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Administrative Expense Fund" established and administered under the Fiscal Agent Agreement.

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

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

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

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

"Bond Counsel" means any 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 Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo, Improvement Bonds, 2003 Series A, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"Bond Fund" means the fund designated the "Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Bond Fund" established and administered under the Fiscal Agent Agreement.

"Bond Year" means the one-year period beginning on September 1st in each year and ending on July 31 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on August 31, 2004

"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.

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

"City" means the City of Vallejo, and any successor thereto.

"City Attorney" means the any attorney or firm of attorneys employed by the City in the capacity of city attorney.

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

"Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the 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, Bond (underwriter's) discount, legal fees and charges, including bond counsel, and counsel to any financial consultant, financial consultant's fees, 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 "Northeast Quadrant Improvement District 2003-1 of the City of Vallejo, Series 2003 Bonds Costs of Issuance Fund" established and administered under the Fiscal Agent Agreement.

"Council" means the City Council of the City as the legislative body.

"County" means the County of Solano, California

"Dated Date" means the dated date of the Bonds, which is December 17, 2003.

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

"District" means the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo formed by the City under the Act and the Resolution of Formation.

"Fair Market Value" means with respect to 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 ten percent (10%) beneficial interest if the return paid by such fund is without regard to the source of the investment.

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

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

"Fiscal Agent" means Wells Fargo Bank National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

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

"Improvement Fund" means the fund designated "Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Improvement Fund," established under the Fiscal Agent Agreement.

"Improvement Levies" means the improvement levies levied by the City Council within the District under the Act, the Ordinance and the Fiscal Agent Agreement. For the purposes of the Fiscal Agent Agreement, the Improvement Levies shall consist of those used to pay Debt Service, the administrative expenses of the Bonds, the costs of funding delinquencies and replenishing the Reserve Fund (to the extent permitted by the Act) and the costs of financing Facilities without Bonds.

"Improvement Levy Fund" means the special fund designated "City of Vallejo, Northeast Quadrant Improvement District No. 2003-1 Improvement Levy Fund" established and administered under the Fiscal Agent Agreement.

"Improvement Levy Revenues" means the proceeds of the Improvement Levies received by the City, including any scheduled payments thereof, interest and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Improvement Levies to the amount of said interest, 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.

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

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' Called Bond Service, 65 Broadway, 16th Floor, New York, New York 10006; Mergent/FIS, 5250 77 Center Drive, Suite 150, Charlotte, North Carolina, 28217, Attn: Called Bond Dept.;" Standard & Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Date" means each September 1 and March 1 of every calendar year, commencing with March 1, 2004.

"Maximum Annual Debt Service" means the largest Annual Debt Service 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.

"NRMSIR" means a nationally-recognized municipal securities information repository, as designated in writing by the Original Purchasers to the City, or otherwise known to the Treasurer.

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

"Ordinance" means Ordinance No. 1512 N.C. (2D) passed and enacted by the Council on September 2, 2003 for the Improvement Levy.

"Original Purchaser" means the first purchaser of the 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 set forth in the Fiscal Agent Agreement; 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.

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

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

(a) Federal Securities.

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

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

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

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

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

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

(h) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency; and

(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 this Fiscal Agent Agreement.

(k) the California Asset Management Program.

"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, initially being at the address set forth in the Fiscal Agent Agreement, or such other address as may be prescribed by the Fiscal Agent in writing to the City.

"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.

"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.

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

"Reserve Fund" means the fund designated the "Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Reserve Fund" established and administered under the Fiscal Agent Agreement.

"Reserve Requirement" means an amount equal to the least of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average Annual Debt Service on the Outstanding Bonds and (c) 10% of the original principal amount of the Bonds.

"Resolution or Resolution of Issuance" means Resolution No. 03-440 N.C. adopted by the Council on December 2, 2003, authorizing the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 03-292 N.C., adopted by the Council on August 19, 2003, forming the District.

"Resolution of Intention" means Resolution No. 03-230 N.C., adopted by the Council on July 15, 2003, indicating the intention of the City to form the District.

"S&P" means Standard & Poor's Ratings Service, a division of McGraw-Hill, and its successors and assigns.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099, Attn: Call Notification Department, Fax (212) 855-7232, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in writing to the Fiscal Agent.

"SID" means an information depository of the State which is recognized by the Commission, if any, which is identified in writing by the Original Purchasers to the Finance Director.

"State" means the State of California.

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

"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 herein) 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 Bonds maturing and paid under the Fiscal Agent Agreement.

APPENDIX B

CITY OF VALLEJO INFORMATION STATEMENT

The following information concerning the City of Vallejo is presented as general background data. The Bonds are payable solely from sources described in the Official Statement. The Bonds are not a general obligation of the City, and the taxing power of the City is not pledged to the payment of the Bonds.

General Information

The City of Vallejo encompasses 27½ square miles and is located in Solano County, at the juncture of the Napa River with the San Pablo Bay and Suisun Bay. Vallejo is situated 32 miles northeast of San Francisco, 22 miles north of Oakland, 47 miles southwest of Sacramento and 80 miles north of San Jose. Neighboring cities include Benicia, American Canyon, Fairfield, Vacaville and Napa.

Governmental Services

The City of Vallejo was incorporated as a charter city on March 26, 1868 and operates under the Council/Manager form of government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City Council is composed of the Mayor and 6 members elected bi-annually at large to four-year alternating terms. The Mayor is elected at large to a four year term. Vallejo employs a staff of 640 employees under the direction of the City Manager.

The City provides both police and fire protection. The City has 181 sworn police officers who perform criminal investigations and provide patrol services, traffic and DUI enforcement, narcotics enforcement and drug awareness programs. The Fire Department has 109 sworn officers. The department provides fire prevention and fire suppression services. Additional services include managing disaster and mutual aid planning and providing emergency medical/rescue services.

The City provides water service to its residents, the Travis Air Force Base and certain unincorporated areas of Solano County. The City operates a public transit system, including both bus and ferry service, as well as special transportation service for the elderly and the disabled.

The City provides building permit and inspection, landscape and public infrastructure maintenance, graffiti abatement, street sweeping, traffic signal maintenance and municipal code compliance.

The City operates a municipal marina and three public golf courses. Other recreation facilities are administered by the Greater Vallejo Recreation District. Such facilities include 450 acres of park land, community centers, tennis courts and public pools.

Transportation

Interstate Highway 80 runs north-south through the City. I-80 provides a direct transportation corridor to the Oakland Bay Bridge, which connects to Oakland and San Francisco. Interstates 680 and 780 provide access to San Jose. State Highway 29 provides access to the Napa Valley.

In 1994, the City purchased a high speed 400 passenger ferry boat for operation between Vallejo and San Francisco. In 1997, the City purchased two additional ferries. The ferry service is provided via contract with the Blue and Gold Fleet and serves both tourists and daily commuters. Continental Trailways and Greyhound provide daily bus service to cities in the surrounding area. Local bus service is provided by the City of Vallejo Transit Lines.

Air Cargo and passenger flight services are provided at both the Oakland International Airport, approximately 30 miles south, and San Francisco International Airport, 40 miles west. Other area airports include the Napa County Airport and the Concord Buchannan Field, located 7 miles north and 15 miles southeast of the City, respectively. The City of Vallejo is served by the Ports of Oakland, Richmond, Sacramento and San Francisco.

Tourism

Six Flags - Marine World ("Marine World") provides regularly scheduled programs for members of the public, who are required to pay an admission charge for admittance to Marine World. Marine World includes various stadiums, exhibits, theme rides and arenas designed for presentation of programs related to specific marine mammals (including whales, dolphins and sea lions), and exotic land animals (including lions, tigers, chimps and elephants) and birds. Marine World also includes various incidental commercial establishments (food, gift shops) to service members of the public.

Marine World consists of 65 acres of various presentation stadiums, animal habitats, visitor walkways, parking, concession and picnic areas, bordering on a 55-acre man-made lake. The facilities at Marine World provide for the shelter and care of over 50 marine mammals, 600 land animals, birds and reptiles, over 2,600 tropical and cold water fish, marine invertebrates, over 70 sharks and rays, and 500 butterflies.

Visitors to Vallejo can take high speed ferry boats from San Francisco to the Vallejo Ferry Building. Local commuters may also use this as an alternative means of transportation to their jobs in San Francisco. In addition, connecting transportation service between the Ferry Building and Marine World is available.

The Napa and Sonoma Valleys are located within 30 miles of Vallejo and provides visitors with the opportunity to tour the wineries and vineyards of America's "Wine Country".

Community Information

Educational services are provided by the Vallejo City Unified School District. There are 17 elementary schools, 4 junior high schools and 2 high schools with a student enrollment of approximately 18,800 students.

Health care services available in the immediate area include the Kaiser Permanente Medical Center, First Hospital - Vallejo, Sutter-Solano Medical Center and Crestwood Hospital.

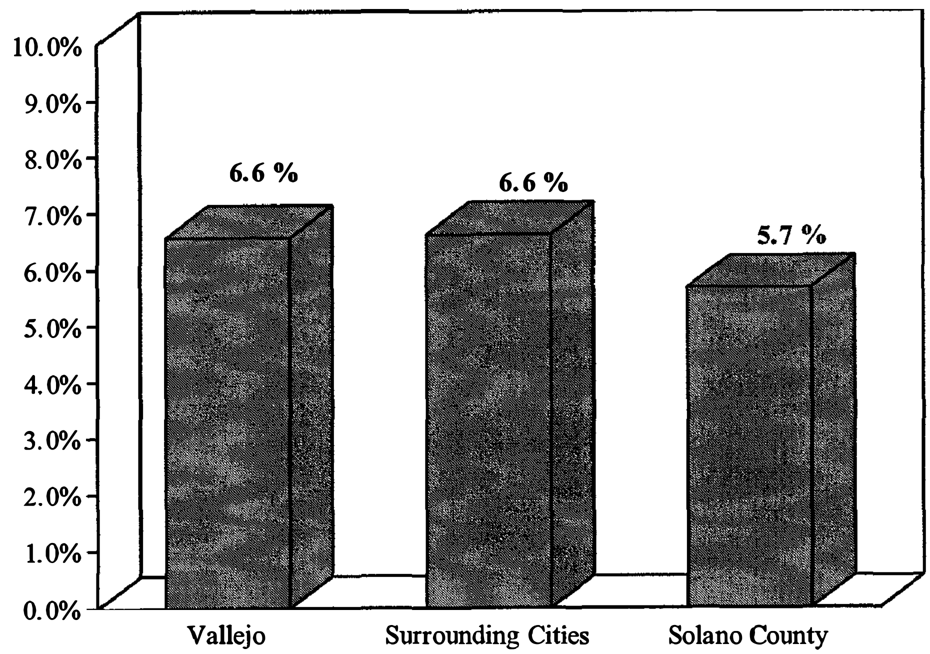
Library services are provided by the John F. Kennedy and Springstowne libraries.

The City and Solano County each provide a home page on the Internet describing community services and amenities with access to sources such as the Chamber of Commerce and Board of Realtors.

Population

The following charts provide a comparison of population growth for Vallejo, surrounding cities and Solano County between 1999 and 2003.

TABLE NO. B-1
CHANGE IN POPULATION
VALLEJO, SURROUNDING CITIES AND SOLANO COUNTY
1999 - 2003



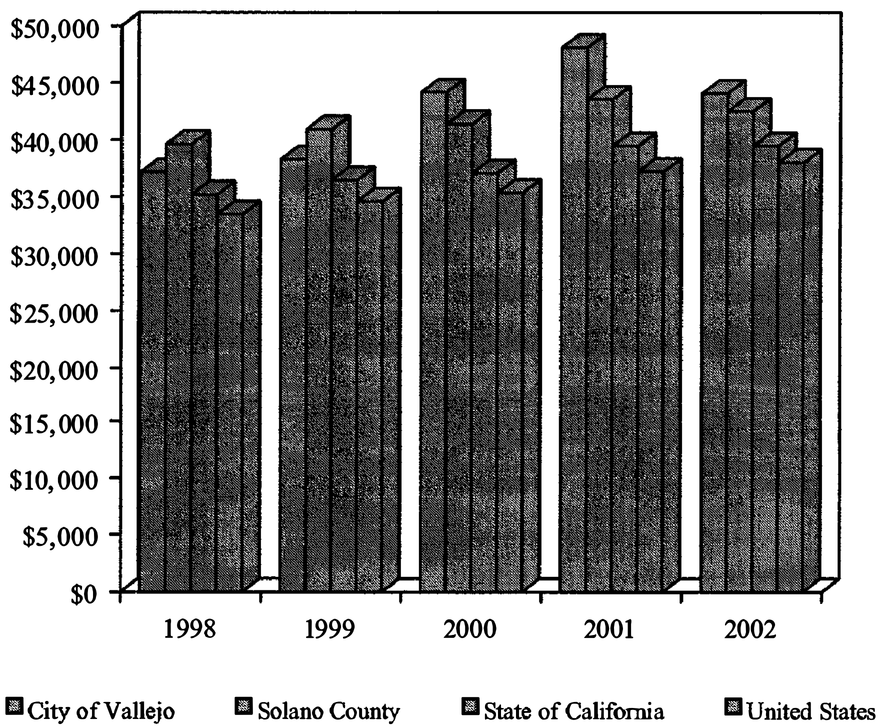
Year	CITY OF VALLEJO Population	CITY OF VALLEJO Percentage Change	SURROUNDING CITIES Population	SURROUNDING CITIES Percentage Change	SOLANO COUNTY Population	SOLANO COUNTY Percentage Change
1999	112,700		279,650		389,900	
2000	117,700	4.4 %	285,350	2.0 %	399,000	2.3 %
2001	117,200	(0.4)%	288,750	1.2 %	398,600	(0.1)%
2002	118,800	1.4 %	293,350	1.6 %	405,600	1.8 %
2003	120,100	1.1 %	298,150	1.6 %	412,000	1.6 %
% Change Between 1999-2003		6.6 %		6.6 %		5.7 %

Surrounding cities include Benicia, Fairfield, Vacaville and Napa.
Source: State of California Department of Finance, Population Research Unit, "*Population Estimates for California Cities and Counties*", published annually in May for current year.

Personal Income

Median personal income information for Vallejo, Solano County, the State of California and the United States are summarized in the following charts.

TABLE NO. B-2
EFFECTIVE BUYING INCOME
CITY OF VALLEJO, COUNTY OF SOLANO, CALIFORNIA AND UNITED STATES



Year	Vallejo	Solano County	State of California	United States
1998	$ 37,173	$ 39,645	$ 35,216	$ 33,482
1999	38,314	40,944	36,483	34,618
2000	44,180	41,376	37,091	35,377
2001	48,104	43,550	39,492	37,233
2002	44,084	42,484	39,492	38,035

Source: Sales and Marketing Management, *"Survey of Buying Power"*, published annually in September for prior year.

Employment and Industry

The City of Vallejo is located in the Vallejo/Fairfield/Napa labor market area. Four major job categories constitute 80.6% of Solano County's work force. They are services (35.9%), wholesale and retail trade (14.8%), government (18.6%), and manufacturing (11.3%). The October, 2003 unemployment rate in the Vallejo/Fairfield/Napa area was 5.2%. The State of California October, 2003 unemployment rate (unadjusted) was 6.4%. The distribution of employment in the Vallejo/Fairfield/Napa area is presented in the following tables:

TABLE NO. B-3
VALLEJO/FAIRFIELD/NAPA MSA
WAGE AND SALARY WORKERS BY INDUSTRY (1)
(in thousands)

Industry	1999	2000	2001	2002	2003
Government	33.2	34.7	35.4	36.1	36.0
Services *	43.5	47.6	50.9	48.9	69.6
Finance, Insurance & Real Estate	6.3	7.0	7.7	7.2	7.1
Wholesale & Retail Trade *	41.4	43.5	43.7	44.7	28.7
Transportation & Public Utilities	6.7	7.1	5.9	5.2	4.3
Manufacturing: *					22.0
Nondurable goods	13.2	15.1	13.9	15.3	
Durable goods	7.0	7.0	6.9	6.6	
Construction and Mining	12.2	15.6	15.7	14.8	16.9
Total Nonagricultural	163.5	177.6	180.1	178.8	184.6
Agriculture, forestry & fisheries	6.6	13.2	10.0	9.7	9.4
Total (all industries)	170.1	190.8	190.1	188.5	194.0

% OF TOTAL WORKERS

Industry	1999	2000	2001	2002	2003
Government	19.5 %	18.2 %	18.6 %	19.2 %	18.6 %
Services *	25.6 %	24.9 %	26.8 %	25.9 %	35.9 %
Finance, Insurance & Real Estate	3.7 %	3.7 %	4.1 %	3.8 %	3.7 %
Wholesale & Retail Trade *	24.3 %	22.8 %	23.0 %	23.7 %	14.8 %
Transportation & Public Utilities	3.9 %	3.7 %	3.1 %	2.8 %	2.2 %
Manufacturing: *					11.3 %
Nondurable goods	7.8 %	7.9 %	7.3 %	8.1 %	
Durable goods	4.1 %	3.7 %	3.6 %	3.5 %	
Construction and Mining	7.2 %	8.2 %	8.3 %	7.9 %	8.7 %
Total Nonagricultural	96.1 %	93.1 %	94.7 %	94.9 %	95.2 %
Agriculture, forestry & fisheries	3.9 %	6.9 %	5.3 %	5.1 %	5.0 %
Total (all industries)	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(1) Annually, as of October.
Source: State of California Employment Development Department, *California Labor Market Bulletin.*

* Beginning in February, 2003 Labor Force and Industry data differs from previous information due to the U.S. Department of Labor's annual revision process from the Standard Industrial Classification (SIC) system to the North American Industry Classification System (NAICS). As a result, some of the industry titles and numbers may have undergone significant change.

The major employers operating within the City and their respective number of employees as of June, 30, 2003 are as follows:

TABLE NO. B-4
CITY OF VALLEJO
MAJOR EMPLOYERS

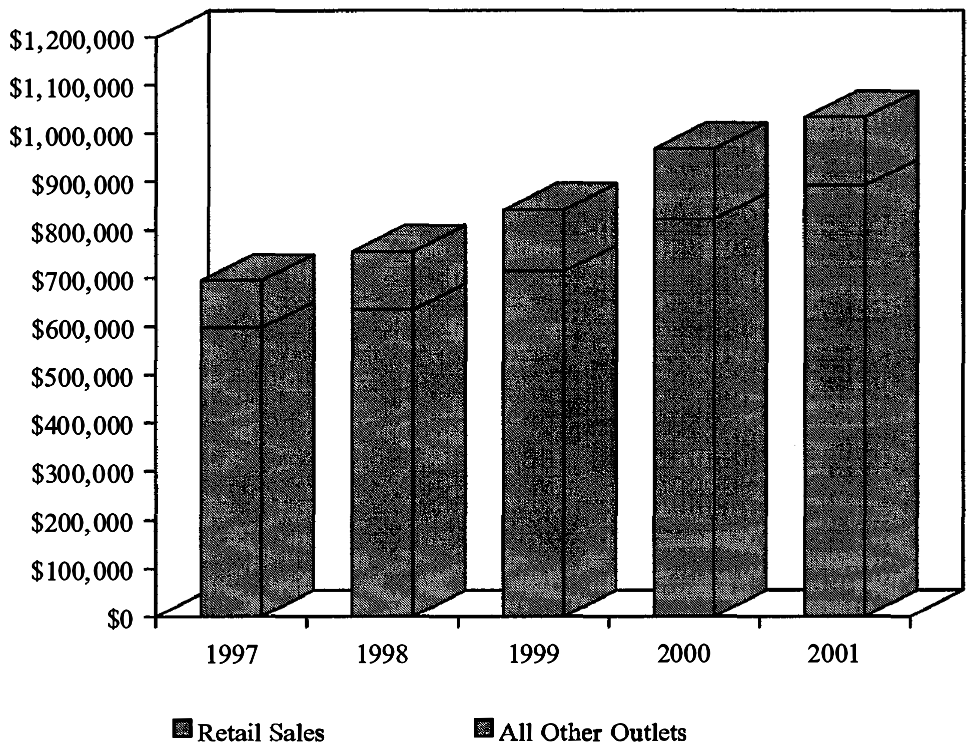
Largest Employers	Number of Employees	Type of Business
Kaiser Permanente	2,735	Health Care
Vallejo Unified School District	2,169	Education
Six Flags Marine World (seasonal)	1,750	Theme Park
Kaiser Permanente Advice & Call Center	830	Health Care
Sutter Solano Medical Center	674	Health Care
City of Vallejo	630	Government
U.S. Forest Service	400	Government
California Highway Patrol Regional Office	300	Communication Center
U.S. Postal Service	215	Postal Service
California Maritime Academy	208	Education
Vallejo Care Center/Heilos	154	Health Care
XKT Engineering	126	Engineering

Source: City of Vallejo.

Commercial Activity

The following charts summarize the volume of retail sales and taxable transactions for the City of Vallejo for 1997 through 2001.

TABLE NO. B-5
CITY OF VALLEJO
TOTAL TAXABLE TRANSACTIONS
(in Thousands)
1997 - 2001



Year	Retail Sales ($000's)	% Change	Retail Sales Permits	Total Taxable Transactions ($000's)	% Change	Issued Sales Permits
1997	$ 597,388		812	$ 694,601		2,270
1998	635,375	6.4 %	803	755,398	8.8 %	2,058
1999	713,820	12.4 %	855	841,423	11.4 %	2,081
2000	822,416	15.2 %	918	967,914	15.0 %	2,132
2001	891,731	8.4 %	957	1,032,904	6.7 %	2,165

Source: State Board of Equalization, *"Taxable Sales in California"*, published approximately 15 months after close of current year listed for the next sequential year.

Taxable transactions by type of business for the City of Vallejo for 1997 through 2001 are summarized below.

TABLE NO. B-6
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in thousands)
1997 - 2001

	1997	1998	1999	2000	2001
Retail Stores					
Apparel Stores	$ 13,284	$ 10,352	$ 8,695	$ 14,241	$ 21,964
General Merchandise Stores*	127,419	135,688	151,342	180,006	186,879
Drug Stores*					
Food Stores	51,330	52,406	56,105	55,864	56,760
Packaged Liquor Stores**					
Eating/Drinking Places	67,617	73,061	77,757	85,576	89,573
Home Furnishings and Appliances	14,636	15,403	17,020	17,737	24,075
Building Materials and Farm Implements	54,092	57,531	57,870	64,963	71,469
Auto Dealers/Suppliers	149,622	175,526	215,661	258,952	280,650
Service Stations	58,709	53,697	59,746	67,779	74,066
Other Retail Stores**	60,679	61,711	69,624	77,298	86,295
Total Retail Stores	597,388	635,375	713,820	822,416	891,731
All Other Outlets	97,213	120,023	127,603	145,498	141,173
Total All Outlets	$ 694,601	$ 755,398	$ 841,423	$ 967,914	$ 1,032,904

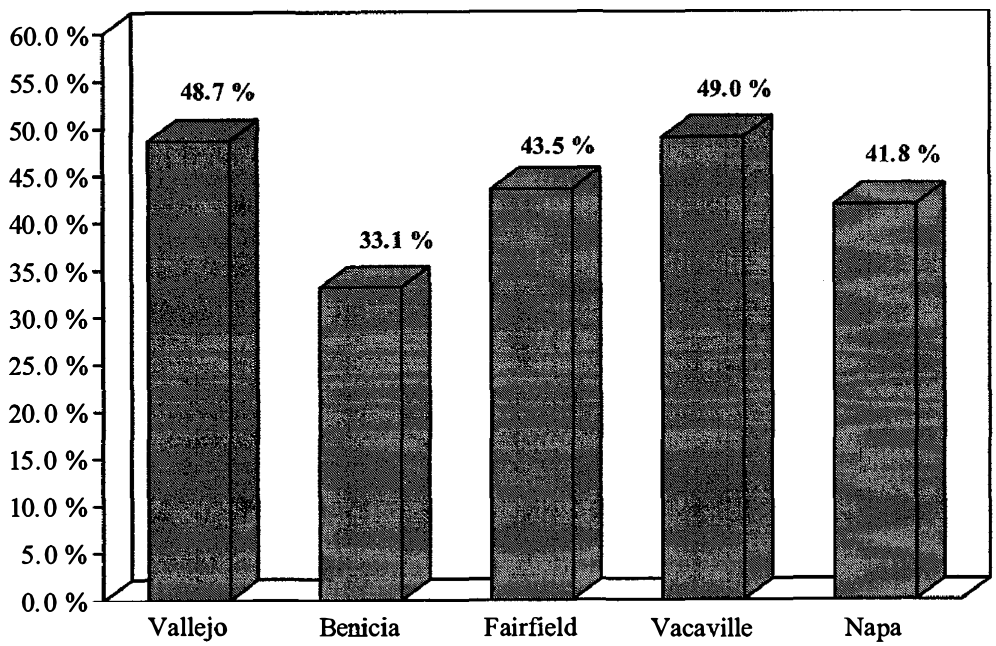
Source: State Board of Equalization, *"Taxable Sales in California"*, published approximately 15 months after close of current year listed for the next sequential year.

* Due to the change in the estimating method beginning in 1997, Drug Stores have been merged with General Merchandise Stores.

** Due to the change in the estimating method beginning in 1997, Packaged Liquor Stores have been merged with Other Retail Stores.

The following tables summarize the percentage change in total taxable transactions for Vallejo and surrounding cities.

TABLE NO. B-7
CHANGE IN TOTAL TAXABLE TRANSACTIONS
VALLEJO AND SURROUNDING CITIES
(in thousands)
1997 - 2001



City	1997	1998	1999	2000	2001	% Change from 1997-2001
VALLEJO	$ 694,601	$ 755,398	$ 841,423	$ 967,914	$ 1,032,904	48.7 %
Benicia	245,969	241,675	278,054	331,550	327,319	33.1 %
Fairfield	964,457	1,013,402	1,160,232	1,290,085	1,383,919	43.5 %
Vacaville	668,041	729,777	842,647	963,248	995,405	49.0 %
Napa	652,081	704,715	826,095	910,493	924,649	41.8 %

Source: State Board of Equalization, *"Taxable Sales in California"*, published approximately 15 months after close of current year listed for the next sequential year.

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APPENDIX C
APPRAISAL REPORT

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APPRAISAL REPORT

NORTHGATE MIXED-USE DEVELOPMENT
(NORTHEAST QUADRANT IMPROVEMENT
DISTRICT NO. 2003-1)

Ascot, Turner and Columbus Parkways
Vallejo, California

VALUATION DATE:	November 15, 2003
APPRAISED FOR:	City of Vallejo
APPRAISED BY:	Hulberg & Associates, Inc.
OUR FILE NUMBER:	9149 EB SC

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HULBERG & ASSOCIATES Inc.

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(925) 327-1696 (fax)
E-mail: appraisals@hulberg.com

December 3, 2003

Mr. Frederick H. Wright
City of Vallejo
555 Santa Clara Street
Vallejo, CA 94590

Re: Northgate Mixed-Use Development
Ascot, Turner and Columbus Parkways, Vallejo, California

Dear Mr. Wright:

At your request, we have appraised the vacant land located within the Northgate Mixed-Use Development (the "Subject Property" or "Development"). This appraisal report is intended to be included in the Final Official Statement prepared by the City of Vallejo ("City") in connection with the sale and issuance by the City of Special Tax Bonds for the City of Vallejo, Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo ("District"). The Subject Property comprises the taxable land located within the District. The Special Tax Bonds will be secured by the Subject Property.

The Subject Property is a master-planned development consisting of eight parcels, seven being commercial sites, and one being residential. It is located along Ascot, Turner and Columbus Parkways in the City of Vallejo, California. The larger site from which the individual parcels are being subdivided consist of approximately 89 gross acres and 77.68 net acres. The commercial parcels range in size from 3.92 to 10.93 net acres and the residential parcel consists of approximately 27 gross acres intended to be developed with 133 residential units.

The purpose of this appraisal is to estimate the market value of the Subject Property, assuming all District No. 2003-1 bond improvements have been completed. A description of the District No. 2003-1 improvements are located within the body of the report. Additionally, we have assumed that grading has been completed on all the sites. As of our inspection date, the majority of the grading for the Development has been completed. Lastly, we have assumed that

Mr. Frederick Wright
City of Vallejo
December 3, 2003

the residential portion (Parcel 3) has received final map and unit plan approvals for 133 residential units. The value conclusions are considered hypothetical conditions assuming all of the above conditions have been completed. The property rights approved are those of the fee simple interest.

This is intended to be a complete appraisal presented in a "self-contained" report in accordance with the Uniform Standards of Professional Appraisal Practice and the California Debt Advisory Commission's Appraisal Standards for Land-Secured Financings.

Based on our research and analysis, as described in the attached report, it is our opinion that the market value of the fee simple interest in the Subject Property, as of November 15, 2003, is as follows:

Parcel 1	$ 3,210,000
Parcel 2	3,330,000
Parcel 3	10,640,000
Parcel 4	3,840,000
Parcel 5	3,320,000
Parcel 6	1,710,000
Parcel 7	4,450,000
Parcel 8	3,780,000
Total	**$34,280,000**

This conclusion is subject to the Assumptions and Limiting Conditions set forth in the Addendum of the attached appraisal. The conclusion is also associated with an estimated exposure period of six months as developed in the report.

Respectfully submitted,

Norman C. Hulberg, MAI
Certified-General Appraiser #AG003542

Robert D. Hensley, MAI
Certified-General Appraiser #AG016190

RDH:eek

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(Continued)

ADDENDUM

SUMMARY OF SALIENT FACTS

Project Name: Northgate Mixed-Use Development (vacant land)

Address: Ascot, Turner and Columbus Parkways, Vallejo, California

APNs:

81-800-060; as to a portion of Parcels 3, 4 and A
81-800-070; as to Parcel 1 and a portion of Parcel 2
81-800-080; as to the remainder of Parcel 2
81-800-090; as to a portion of Parcels 3 and A
81-800-100; as to a portion of Parcel 3
81-800-110; as to a portion of Parcels 3 and A
81-800-120; as to a portion of Parcel 3
81-800-130; as to a portion of Parcels 3 and 4, and the remainder of Parcel A
81-800-140; as to a portion of Parcel 3
81-800-150; as to a portion of Parcels 3 and 4
81-800-160; as to a portion of Parcels 3 and 4
81-800-170; as to the remainder of Parcels 3 and 4
81-800-190; as to a portion of Parcels 5, 6, 7, 8 and C, and all of Parcel B
81-800-200; as to the remainder of Parcels 5 and C, and a portion of Parcel 6
81-800-210; as to the remainder of Parcel 6 and a portion of Parcel 7
81-800-230; as to the remainder of Parcels 7 and 8

Census Tract: 2501.02

Property Rights Appraised: Fee Simple

Zoning and General Plan: Northgate Specific Plan; this is a comprehensive plan for the development of a mix of residential and commercial land uses.

Site Size:

Parcel	Gross Site Size S.F.	Gross Site Size AC.	Net Site Size S.F.	Net Site Size AC.
1*	305,356	7.01	305,356	7.01
2*	341,510	7.84	341,510	7.84
3**	1,174,378	26.96	915,631	21.02
4*	473,933	10.88	393,782	9.04
5*	441,263	10.13	359,370	8.25
6*	176,418	4.05	170,755	3.92
7*	528,383	12.13	476,111	10.93
8*	435,600	10.00	421,225	9.67
Total:	**3,876,840**	**89.00**	**3,383,741**	**77.68**

*Commercial; ** Residential

SUMMARY OF SALIENT FACTS
(Continued)

Flood Zone:	Zone "C," Community Panel No. 060374-0005 C, dated June 7, 1986, not considered a flood hazard zone.
Earthquake Hazard:	Not in Alquist-Priolo Special Study Zone.
Environmental Issues:	None identified.
Highest and Best Use:	Mixed-Use Development consisting of residential and commercial uses.
Date of Inspection:	November 6, 2003
Valuation Date:	November 15, 2003
Date of Report Preparation:	December 3, 2003
Estimated Exposure Period:	6 Months

Appraised Values:

Parcel 1	$ 3,210,000
Parcel 2	3,330,000
Parcel 3	10,640,000
Parcel 4	3,840,000
Parcel 5	3,320,000
Parcel 6	1,710,000
Parcel 7	4,450,000
Parcel 8	3,780,000
Total	**$34,280,000**

Special Assumptions and Limiting Conditions:

1. **The Subject Property was valued as if the Northeast Quadrant Improvement District No. 2003-1 improvements have all been completed. This is considered a hypothetical condition, assuming the improvements have been completed.**

2. **Although we considered discounting the aggregate retail value, it was not necessary for the Subject Property. Three of the eight parcels are currently in escrow with different ownerships. Further, there is**

SUMMARY OF SALIENT FACTS
(Continued)

Special Assumptions and Limiting Conditions: (continued)

outside interest on two additional properties located within the Development. Overall, there is good demand for the commercial parcels located within the project. Additionally, we believe there is strong demand for the residential component. Overall, our estimated value reflects that each parcel can be sold within six months. Further, the parcels would likely be sold to individual users and would not be sold on a bulk-type basis. Thus, it is appropriate to estimate the retail value of each individual parcel and no discounting is required.

3. **The residential portion of the mixed-use development is considered to have final map approval and unit plan approval.**

4. **We have not valued the open space within the Northgate project; however, we have considered how the open space areas affect the value of the individual subject parcels.**

5. **As of our inspection date, the majority of the project has been graded. Our appraisal assumes each site is graded and ready for development.**


DISTRICT 2003-1 BOUNDARY

SECTION I - INTRODUCTION

PURPOSE OF APPRAISAL

The purpose of this appraisal to estimate the market value of the Subject Property.

"Market Value," as used in this appraisal, is defined as "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 knowledgably, and assuming the price is not affected by undue stimulus. Implicit in this definition are consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- ***Both buyer and seller are typically motivated;***
- ***Both parties are well informed or well advised, and each 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.***[1]

Our appraisal of the Subject Property is based on cash equivalent financial arrangements.

PROPERTY RIGHTS APPRAISED

The property rights appraised are those of the fee simple interest. Fee simple is defined as "absolute ownership encumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[2]

The property is appraised assuming it to be free and clear of liens and encumbrances, such as mortgages and assessments outstanding, but subject to the special assessments existing and the special tax lien proposed.

VALUATION AND INSPECTION DATES

The date of valuation is November 15, 2003. The date of physical inspection was November 7, 2003. We have assumed no significant changes to the subject, or any other data presented in the appraisal, between the inspection and valuation dates. The effective date of the report is December 3, 2003.

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1 Uniform Standards of Professional Appraisal Practice, 2003 Edition.

2 The Dictionary of Real Estate Appraisal, American Institute of Appraisers of the National Association of Realtors, Third Edition; 2003, p.204.

INTENDED USE AND USER OF APPRAISAL

It is our understanding that this report will be used by the City of Vallejo in securing the bond financing for the Northeast Quadrant Improvement District No. 2003-1. It is our understanding that the City will use the appraisal in its Final Official Statement for the District.

PROPERTY IDENTIFICATION AND LEGAL DESCRIPTION

The Subject Property is located within the city limits of the City of Vallejo, County of Solano, State of California. The larger site from which the individual parcels are being subdivided consist of approximately 89 gross acres and 77.68 net acres laying within the Northgate Mixed-Use Development located along Ascot, Turner and Columbus Parkways. The Subject Property is legally described in the Preliminary Title Report issued by Frontier Title Company, Order No. 702133, dated October 7, 2003, a copy of which is located in the Addendum of this report. The individual parcels consist of a portion of existing assessor's parcel numbers that will eventually be changed to reflect each individual parcel within the Development. The parcels are identified as follows:

81-800-060;	as to a portion of Parcels 3, 4 and A
81-800-070;	as to Parcel 1 and a portion of Parcel 2
81-800-080;	as to the remainder of Parcel 2
81-800-090;	as to a portion of Parcels 3 and A
81-800-100;	as to a portion of Parcel 3
81-800-110;	as to a portion of Parcels 3 and A
81-800-120;	as to a portion of Parcel 3
81-800-130;	as to a portion of Parcels 3 and 4, and the remainder of Parcel A
81-800-140;	as to a portion of Parcel 3
81-800-150;	as to a portion of Parcels 3 and 4
81-800-160;	as to a portion of Parcels 3 and 4
81-800-170;	as to the remainder of Parcels 3 and 4
81-800-190;	as to a portion of Parcels 5, 6, 7, 8 and C, and all of Parcel B
81-800-200;	as to the remainder of Parcels 5 and C, and a portion of Parcel 6
81-800-210;	as to the remainder of Parcel 6 and a portion of Parcel 7
81-800-230;	as to the remainder of Parcels 7 and 8

We have not valued Parcels A, B and C. The parcels are considered open space and were beyond the scope of this assignment.

OWNERSHIP AND CONVEYANCE

Title to Parcels 1 through 7 and open space parcels and open space Parcels A, B, and C are currently vested in:

Northgate Business Park, LLC,
a California limited liability company

The Subject Property was originally part of a 448-acre purchase by the above ownership in April 1999 for $3,400,000. The Subject Property, however, consists of eight individual parcels. Development plans and future ownership of the individual parcels are described below:

Parcel 1: Wilson Cornelius, LLC ("Wilson"), has entered in to a purchase agreement to buy Parcel 1 consisting of 7.01 acres for $1,900,000, or $6.22 per square foot. The earnest money deposit is $25,000 and Wilson must close escrow by December 31, 2003. Wilson plans to construct a new building to relocate its existing Ford dealership in Vallejo to this site. Wilson must obtain a Major Use Permit in order to build an auto dealership on Parcel 1.

The purchase price is considered below market. The property was sold below market levels in order to attract an automobile dealership to the site, increase tax revenues for the City, and aid the developer in obtaining approvals for other developments within Northgate project.

Parcel 2 and Parcel 7: Kenneth B. Ross ("Ross") has entered into a purchase agreement to buy Parcel 2 consisting of 7.84 acres for $1,900,000, and a purchase agreement to buy Parcel 7 consisting of 10.93 net acres for $2,700,000, or $5.67 per square foot. The earnest money deposit for each parcel is $25,000 and Ross must close both escrows by December 31, 2003. Ross plans to construct a new building to relocate its existing Chevrolet dealership in Vallejo to Parcel 2, and its existing Hyundai dealership in Vallejo to a portion of Parcel 7. Ross must obtain Major Use Permits in order to build auto dealerships on Parcels 2 and 7.

The purchase agreements for Parcels 1 and 2 require both Wilson and Ross to close escrow simultaneously. If either party fails to close its respective parcel, then both parties lose their rights to purchase these parcels. Ross will also lose the right to purchase Parcel 7 if escrow is not closed on Parcel 2. Upon transfer of ownership to Wilson and Ross, Parcels 1, 2 and 7 will be subject to Covenants, Conditions and Restrictions (CC&Rs) that limit the use of the property to "automotive and equipment" purposes for specified periods of five years.

Parcel 3: Parcel 3 is currently being developed for 133 single-family homes by the above ownership. The tentative map has been approved and the final map and improvement plans have been submitted to the City. The ownership expects United Commercial Bank to provide the construction financing. Homes are expected to range in size from 2,400 to 3,000 square feet and sell in the range of $450,000 to $550,000.

Parcel 4: The Specific Plan designates this site for neighborhood commercial. The above ownership expects to develop the Neighborhood Center. The Developer is currently soliciting tenants.

Parcels 5 and 6: Extended StayAmerica has signed a letter of intent (06/02) to acquire a 2-acre site of this approximately 12.17-acre site. The offer price was reported at $11.25 per square foot, including all bonds. In addition, the ownership (Northgate Business Park) expects to develop 400 condominiums for active adults.

Parcel 7: This parcel is expected to be acquired for an additional automobile dealership as previously described in Parcels 2 and 7.

Parcel 8: This 9.82-acre parcel is located on the north side of Columbus Parkway and was acquired by Solano Community College District on November 20, 2003. The college is planning to build its first building of approximately 40,000 square feet in 2005. Please see Land Sale 3 (report and Addendum) for a more detailed discussion of sale.

SCOPE OF THE APPRAISAL

This is a "self-contained" report based on a complete appraisal of the Subject Property. The appraisal assignment was conducted in accordance with the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation. The report is also in compliance with California Debt and Investment Advisory Commission (CDIAC) Appraisal Standards for land-secured financings.

Preparation of the report included an inspection of the Subject Property and surrounding area; market research to identify sales, listings and leases of comparable properties; consideration of social, political, economic, legal and physical factors which may have an effect on value or marketability; and utilization of appropriate appraisal techniques to derive an estimate of value. Only the Sales Comparison Approach was utilized for the purposes of this analysis. The Cost Approach is not applicable because the Subject Property is unimproved (vacant) land. The Income Approach was not utilized because vacant land in this market area is seldom income producing and there is insufficient data upon which to base a reliable estimate of value.

Our investigation included discussions with cognizant city officials regarding land use and zoning requirements. Transaction data was confirmed with market participants such as buyers, sellers, brokers or agents. No data has been included or relied upon which is not believed to be accurate. The quality and quantity of available data was analyzed to derive a final estimate of value for the Subject Property.

The Introduction (Section I) includes an identification of the Subject Property and relevant background information; Descriptive Information (Section II) includes a regional and market analysis, property description and discussion of highest and best use; Valuation (Section III) includes discussions of available data, applicable approaches to value and reconciliation to derive a final estimate. The Addendum include photographs of the Subject Property, data sheets for comparable sales, appraiser qualifications, assumptions and limiting conditions and the appraisal certification.

With regard to the Subject Property, our work included the following:

1) The Subject Property was inspected and photographed on the date indicated.

2) Regional, city, neighborhood and market data were compiled based on our neighborhood inspection, information from local government agencies, local market knowledge and Hulberg & Associates, Inc., in-house database.

3) Information on title, zoning, General Plan, flood hazard, and other pertinent governmental restrictions were obtained from appropriate sources.

4) In developing the approaches to value, the market data used was collected and verified. Sources included Hulberg & Associates, Inc., data files, brokers and agents, property owners, and other knowledgeable market participants. The data is believed reliable but not guaranteed.

5) In forming an opinion of highest and best use, we considered the information obtained in Steps 1-4 above, with emphasis on market conditions and trends. Noted easements and encumbrances were considered.

6) After assembling and analyzing the data outlined above, a final estimate of value was concluded.

USPAP COMPETENCY PROVISION

We have appraised this type of property before and believe that we have the qualifications and experience necessary to perform the assignment in a competent manner. Please see the Summary of Qualifications in the Addendum of this report.

PROPERTY TAXES AND ASSESSMENTS

As a result of the passage of Proposition 13 by California voters in 1978, assessed values were rolled back to 1974-1975 levels. Subsequent increases in the enrolled value are limited to the cost of living, with a maximum of 2 percent per year, absent transfer or new construction. Property is enrolled at 100 percent of market value as determined by the Assessor, upon transfer of ownership or significant new construction. The maximum tax rate cannot exceed 1 percent of the enrolled value, plus direct and special assessment bonds and fees either approved by the voters or imposed in accordance with special benefit assessment district procedures.

Accordingly, assessed values and tax liability throughout California vary greatly, even among similar properties, depending on how recent is the last transfer of ownership. Tax burdens frequently bear little relation to property value and may often be expected to increase substantially following a transfer of ownership. By definition, market value hypothesizes a sale, which would trigger a reassessment for tax purposes. In our appraisal of the Subject Property, we have based our property tax estimate on our opinion of value, the current tax rate and assessment amounts. Current tax information on the larger Subject Property from which the individual parcels are being subdivided is as follows:

Current Tax Rate: 1.1439% (not including existing assessments)

APN	Land	2003/04 Taxes (inc. assessments)
81-800-060	$ -	$ 942.54
81-800-070	$ 2,645,284	$ 46,336.78
81-800-080	$ 1,039,230	$ 26,645.42
81-800-090	$ -	$ 1,800.00
81-800-100	$ 436,013	$ 14,992.30
81-800-110	$ 948,000	$ 32,567.02
81-800-120	$ -	$ 400.00
81-800-130	$ 1,888,853	$ 80,470.28
81-800-140	$ 187,917	$ 8,052.42
81-800-150	$ -	$ 2,148.26
81-800-160	$ -	$ 7,779.68
81-800-170	$ 1,107,570	$ 59,946.72
81-800-190	$ -	$ 25,091.06
81-800-200	$ 1,107,570	$ 34,787.40
81-800-210	$ 738,313	$ 20,046.74
81-800-230	$ 1,845,884	$ 29,868.82
	$ 11,944,634	**$ 391,875.44**

	Existing Assessments			
APN	NEQ	Vallejo USD Mello Roos No. 2	Bond 8729 (64)*	Bond 8732 (58)*
81-800-060	$ 938.50	$ 4.04	$ -	$ -
81-800-070	$ 917.92	$ 4.04	$ 2,198.84	$ 12,956.60
81-800-080	$ 360.82	$ 8,420.00	$ 874.06	$ 5,102.82
81-800-090	$ -	$ 1,800.00	$ -	$ -
81-800-100	$ 137.12	$ 3,200.00	$ 973.76	$ 5,693.92
81-800-110	$ 298.26	$ 6,960.00	$ 2,099.14	$ 12,365.48
81-800-120	$ -	$ 400.00	$ -	$ -
81-800-130	$ 1,236.76	$ 28,860.00	$ 4,163.46	$ 24,603.50
81-800-140	$ 123.40	$ 2,880.00	$ 429.86	$ 2,469.62
81-800-150	$ 88.26	$ 2,060.00	$ -	$ -
81-800-160	$ 319.68	$ 7,460.00	$ -	$ -
81-800-170	$ 642.80	$ 15,000.00	$ 4,577.34	$ 27,057.14
81-800-190	$ 1,031.06	$ 24,060.00	$ -	$ -
81-800-200	$ 735.36	$ 17,160.00	$ 4,222.60	$ -
81-800-210	$ 360.82	$ 8,420.00	$ 2,820.40	$ -
81-800-230	$ 1,722.72	$ 4.04	$ 7,027.02	$ -
	$ 8,913.48	**$ 126,692.12**	**$ 29,386.48**	**$ 90,249.08**

* Bond 8729 (64) and Bond 8732 (58) will be paid in full at close of District 2003-1.

These parcel numbers and figures are from the current tax roll. They do not reflect the recorded parcel maps for the eight individual parcels. They also include the land to be used as open space. They are included here to identify the existing special assessment, direct assessments, and tax rate.

Current taxes are low relative to those which would result from a transfer such as that hypothesized by the definition of market value.

The creation of the Northeast Quadrant Improvement District No. 2003-1 for a total principal amount of $7,990,000 will be used for the completion of infrastructure improvements along Ascot, Turner and Columbus Parkways. A complete description of these improvements is located within the body of the report. Included in the overall principal amount is the payoff for the above-described Bonds 58 and 64, and both will be retired with the funding of the Improvement District 2003-1 improvement bond. Consequently, the eight individual parcels in the District would be responsible for payment of annual special taxes set forth in the following table.

IMPROVEMENT LEVY RATE

APN/Parcel	Improvement Levy Rate	Initial Classification	Maximum Annual Improvement Levy
1	47.20539%	Commercial	$25,986.23
2	52.79461%	Commercial	29,063.06
Total:	**100.00000%**		**$55,049.29**
3	30.81555%	Single-Family	$240,654.28
4	13.37543%	Commercial	104,455.51
5	11.57869%	Mixed-Use	90,423.88
6	4.62919%	Mixed-Use	36,151.70
7	16.34809%	Commercial	127,670.49
8	23.25305%	Commercial	181,594.85
Total:	**100.00000%**		**$780,950.71**

SECTION II - DESCRIPTIVE INFORMATION

REGIONAL OVERVIEW

The Subject Property is located in the City of Vallejo in the western portion of Solano County. Solano County is part of the nine-county Bay Area, which contains approximately 6,981 square miles, comprises only 4.4 percent of California's total area (153,693 square miles), but accounts for nearly 20 percent of its total population with approximately 7 million residents. A Regional Map is provided on the following page.

The City and County of San Francisco remains the social and economic center of the Bay Area, but Santa Clara County, as well as the Oakland-East Bay and Central Contra Costa County regions, has become increasingly important to business and commerce in recent years. Increasing housing prices and congestion in the inner parts of the Bay Area has forced many residents to seek housing farther from these central business centers.

General Information and Geography

According to the Association of Bay Area Governments (ABAG), Solano County is one of the most active growth areas in the region. The county enjoys a location between the fast-growing Sacramento area and the northern portion of the Bay Area. This location gives the area a strong, long-term economical development advantage.

Solano County is located 32 miles northeast of San Francisco on the north side of San Pablo Bay. The county contains 827 square miles and is basically divided into two geographic sections; the level agricultural lands along Interstate 80 eastward, and the hilly mountain terrain along its northwest side. The climate of Solano County is relatively mild throughout the year, although variations are found within short distances because of proximity to San Pablo Bay and the Carquinez Strait.

Transportation

Solano County is located along Interstate 80, which directly connects the cities of San Francisco and Sacramento. In addition, two other important freeways originate in Solano County; one is Interstate 680 that begins in the Cordelia area and directly connects Solano County with San Jose and the South Bay; and the other is Interstate 505 that originates in Vacaville and connects the county with Interstate 5 and the Pacific Northwest. These freeway connections have effectively brought Solano County closer to the business and industrial centers of Northern California and have made the county a logical location for regional warehouse and distribution facilities. In addition, these freeway connections have resulted in Solano County now being situated within 1.5 hours of nearly 7 million people.

The Baylink Fleet operates commuter and mid-day high-speed ferry service between San Francisco and Vallejo. Greyhound and Continental Trailways provide daily bus service to the region. Local service and express BART link bus connections to the Bay Area Rapid Transit (BART) system is provided by local public bus transportation.

Napa County Airport lies about seven miles outside of Vallejo, with the Oakland and San Francisco airports within reasonable proximity. The area is also served by the Ports of Richmond, Oakland, Sacramento and San Francisco.

Regional Map

County Demographics

Social factors that have significant influence on the value of local real estate include aggregate population and its rate of growth, work force characteristics, income, and general quality of life.

Population

Solano County ranks seventh in terms of population within the San Francisco Bay region. According to ABAG, the county will reach fourth largest by the year 2015. In addition, Solano County will have the highest projected population growth of any Bay Area county, with a projected 50 percent increase through the year 2020. It would appear that the county has the potential of significant growth in population and jobs. Solano County's 2003 population was 412,000.

Since World War II, Solano County's population has expanded considerably. Between 1960 and 1980 the population grew by 75 percent. In the next ten-year period, the population grew again at a pace of 45 percent. The county ranked as the second fastest growing county in the region over the time period of 1960 to 1995. Between 1995 and 2005, the county is projected to grow by 80,000 residents.

In the near term, ABAG projects most of the growth from 1995 to 2020 to be concentrated in three cities in the county: Fairfield, Vacaville and Vallejo. These cities will account for 74 percent of the projected population growth in the county.

The pace of population growth will be affected by the speed of conversion for the Mare Island base to civilian use, the intensified activity in the Travis Base as a result of the realignment of other bases, the success of the Rio Vista area which is projecting up to 5,600 new households over the next 20 years, and the impact of the recent adoption of the Orderly Growth Initiative that restricts development on agricultural land outside of cities. This impacts the annexation of lands in the county.

Employment

According to ABAG, the number of jobs in the county between 1995 and 2000 increased by 5 percent. However, from 2000 to 2005, job growth is projected to increase by 10 percent, and by 2010, the county is projected to increase by another 15 percent. Clearly, Solano County is expected to be a growth area for the next several years.

Significant job growth is projected to occur in all major economic sectors from 1995 to 2020. Projections are on the order of a 280-percent increase in manufacturing and wholesale trades, and an 80-percent increase in retail trades, citing only two examples. The projections of ABAG show a higher increase in labor force than its job base, which should further stimulate increases in industry and jobs.

Income

In terms of Mean Household Income, Solano County ranks last of all nine Bay Area counties at $60,400 (2000). Said income is projected to increase to $64,800 by the year 2005.

In 2000, Vallejo ranked seventh out of the eight subregions in the county at a mean household income of $54,800, according to ABAG. By 2005, the mean income is projected to increase to $59,800. Vallejo's mean income is 10 percent below Solano County as a whole.

Business and Industry

The economic base of Solano County historically has been heavily dependent upon Travis Air Base in Fairfield and Mare Island Naval Shipyard in Vallejo. Although the Travis Base is still one of the largest employers in the county, dependence on this installation is gradually decreasing as large companies relocate to the area.

Among the larger companies that have moved into the area during the past several years are Anheuser-Busch, Ball Metal Containers, Lucky Stores, Clorox, Owens-Illinois, Continental Container, Airco Solar Products, Ford-New Holland, Breuner's American Stitching & Box Company, Marcel Schurman, Court Galvanizing, Moore Business Forms, Alza Corporation, and Chiron Corporation. In addition, Marine World Africa USA relocated from Redwood City to Vallejo in 1986.

The availability of shopping facilities has increased substantially in Solano County and Vacaville during the past few years. Several neighborhood shopping centers have been constructed. The Solano Mall opened in Fairfield in 1981. The Solano Mall is an enclosed regional shopping center with over 1,000,000 square feet of retail space. Anchor occupants of the mall include Macys, Mervyn's, JCPenney, and Sears.

The largest portion of the subject area's economic base and the county's largest employer is government employment, both military and civilian. Travis Air Force Base, one of the largest employers in the county, provides approximately 16,000 jobs. As part of the California military base closures, the Mare Island Naval Shipyard in Vallejo was closed in 1996.

The Travis Air Force Base in Fairfield was spared from the closure list. The impact of the closure of Mare Island was felt primarily in Southern Solano County in the City of Vallejo. The loss of 9,500 jobs countywide was projected prior to the closure.

Vallejo had a net loss of 6,000 jobs between 1990 to 1995. However, between 1995 to 2000, job growth actually increased by 1,000 jobs; and, between 2000 to 2005, ABAG is projecting job growth to increase by 5,140 jobs. Most of these jobs will center around redevelopment of Mare Island.

Housing

Solano County has experienced rapid residential growth over the past several years. The reasons for this growth are numerous, but principal among them are the availability of large tracts of developable land, affordable housing, higher costs and congestion in the inner parts of the San Francisco Bay Area, and easy access to the freeway system. In addition, civic leaders in each of the four largest cities within Solano County (Vallejo, Fairfield, Vacaville, and Benicia) have been aggressive in promoting growth, including residential development.

Presented on the next page is a chart showing the Comparison of Household Growth with Housing Unit Potential. The reader will note that the South County area, including Benicia and Vallejo, has a projected deficit of about 1,600 units, where as the North County has a projected surplus of 3,910 units. These projections should translate to increasing home prices in South County and stabilizing home prices in North County.

COMPARISON OF HOUSEHOLD GROWTH
WITH HOUSING UNIT POTENTIAL

Solano County
1995-2020

Subarea	Local Policy Potential Units	Projected Households	Units Less Households
North County	53,690	49,780	3,910
Dixon			
Fairfield			
Rio Vista			
Suisun City			
Vacaville			
Remainder			
South County	6,560	8,160	-1,600
Benicia			
Vallejo			
TOTAL COUNTY	60,250	57,940	2,310

Note: Independent rounding may affect totals.
Association of Bay Area Governments

Regional Conclusion

In summary, the area is growing steadily with continued growth expected in virtually all sectors of the economy over the next several years. As more and more residents relocate to Solano County in the next decade, both income levels and home prices are expected to increase, particularly in South County. Whereas in the past, Solano County was often considered to be outside the San Francisco Bay Area market, the county is now considered as a realistic place to locate for both Bay Area residents and companies.

The intrinsic desirability of the region, its foundational economics, projected jobs and population expansion, support real estate values and their potential for long-term increase.

CITY OF VALLEJO

The Subject Property is located in the City of Vallejo, which is the largest city in terms of population in Solano County. Presented on the next page is demographic information on Vallejo provided by the City's Economic Development Division and Solano County, provided by Solano Economic Development Corp.

The household growth projections for Vallejo are rather impressive, considering that the closing of the Mare Island Military Base sent shock waves through the City for several years prior to, during and after its closure in April 1996. Mare Island Naval Shipyard consists of 5,646 acres of land and some 900 buildings. Mare Island, which in reality is a peninsula incorrectly thought to be an island by 18th century explorers, is about a mile across and a little more than three miles long. It is separated from Vallejo proper by the outlet of the

Vallejo *at a glance*

Take Note

- Solano County location closest to large Bay Area cities
- High-speed passenger ferry service to San Francisco

Area	65 square miles			
	1980	**1995**	**2000**	**2010**
Population	81,559	116,500	137,600	137,300
Households	30,078	41,150	44,770	46,390
Total jobs	34,875	34,720	38,450	48,690

Major nongovernmental employers

- Kaiser Permanente Medical Center (2,175)
- Marine World Africa USA (1,300)
- Sutter Solano Medical Center (580)
- Crestwood Hospitals Inc. (510)
- RCI/Resource Consultants Inc. (210)
- Petrochem Insulation Inc. (175)
- Steiny & Co. Contractor (170)
- Pacific Gas & Electric (160)
- Westar Linen Services (155)
- First Hospital of Vallejo (140)
- Pacifica Services Inc. (130)
- Mervyn's (110)
- Westinghouse Electric Corp. (100)
- General Mills Inc. (Sperry Div.) (100)

Newspaper: *Vallejo Times-Herald*, (707) 644-1141

City of Vallejo Economic Development Division
Alvaro da Silva, Community Development Director, (707) 648-4444

Sources: Association of Bay Area Governments, Solano Economic Development Corp., Vallejo Economic Development Division

Solano County *at a glance*

Cities

- Benicia
- Dixon
- Fairfield
- Rio Vista
- Suisun City
- Vacaville
- Vallejo

Area	898 square miles			
	1980	**1995**	**2000**	**2010**
Population	235,205	395,600	454,700	546,800
Households	80,426	126,600	144,860	179,590
Total jobs	90,789	119,130	140,480	194,760

Take note

- Solano County has the largest port-oriented business park in Northern California—1,500 acres at Benicia
- Solano County is the fastest-growing among the nine counties of the San Francisco Bay area.

Major Solano County nongovernment employers

- ALZA Pharmaceutical
- American Home Foods
- Anheuser-Busch Inc.
- Chiron Corp.
- Dixon Canning Corp.
- Exxon Company, U.S.A.
- General Mills
- Institutional Financing Services
- Lucky Foods Distribution Center
- Owens Illinois
- Serta-West
- Westinghouse Electric

Sources: Association of Bay Area Governments, Solano Economic Development Corp.

Napa River at the point that it flows into San Pablo Bay. Prior to its close, Mare Island payroll pumped $96 million into Vallejo's economy and an additional $133 million into other parts of Solano and neighboring Napa Counties.

It was with that potential financial impact on their minds that the Mare Island Futures Work Group, consisting of 50 members of the community and surrounding areas, began the reuse planning process in August 1993. The group first put together a conceptual reuse plan, then refined it into a finalized document toward which the Department of Defense contributed a $600,000 planning grant.

The reuse plan identified optimal marketable reuses, capitalizing on strengths of the shipyard parcel such as its existing "gray water" treatment plant. That facility, for example, would appeal to industrial operations that use chemical processes in manufacturing, or that generate heavy metal content in wastewater.

Electric rates will be attractive to future Mare Island users because of passage of enabling Congressional legislation that extends the military's low-cost power rate from the Western Area Power Authority to Mare Island for the ten years following the Navy's departure. In addition to its obvious accessibility by ship, Mare Island has rail service and facilities.

The reuse plan envisions the emergence of Mare Island as a new Vallejo neighborhood, consisting of a number of pedestrian-scaled districts with specialized uses; heavy industrial, light industrial, an office park, a consolidated educational campus with satellite teaching and vocational training facilities for several institutions throughout the region, recreational facilities including a marina with associated retail activity, residential villages, and community and civic facilities.

The overriding objective of the reuse plan is to stimulate creation of new jobs to replace those lost through closure of the military facility. Vallejo is proud of its workforce, noting that 62 percent of its workers have attended college, and 30 percent are college graduates. The City claims that 3 million workers reside within a 30-mile radius of the City.

Vallejo is known to most people as the home of Marine World Africa USA/Six Flags Marine World, an aquatic and wild animal theme park that moved from Redwood City in 1986. After being courted by other communities, Marine World executives settled on the Vallejo location because of the enthusiasm generated by the city.

More than 650 hotel rooms have been added to Vallejo's inventory, largely in support of the tourist trade attracted by Marine World Africa USA. Spillover from Marine World brings Vallejo's businesses roughly $100 to $150 million in receipts, according to the president of the Vallejo Chamber of Commerce. The City, which in no way subsidizes the park itself, reaps about $2 million annually through lease payments and taxes.

In addition, Vallejo's historic district, just across the Napa River from Mare Island, is the object of a $2.5 million renovation program.

It is not surprising, given Vallejo's marine orientation that it is home to one of the oldest and most active yacht clubs in the San Francisco Bay area. That theme is carried forward by a fleet of high-speed catamaran passenger ferries that provide multiple round trips daily to San

Francisco. Many Vallejo residents who work in San Francisco routinely use the ferry to commute to the City. The 55-minute trip takes no longer than less direct automobile routes during busy commute times. The City is also planning to establish a ferry shuttle route to augment vehicular roadways linking Vallejo and Mare Island.

The Vallejo Naval and Historical Museum offers exhibits, a library and educational programs dedicated to the history of Vallejo, Mare Island Naval Shipyard and the Carquinez Strait.

Interstate 80 passes through Vallejo, and air service is available at a number of locations nearby: Napa County Airport (7 miles), Concord Buchanan Field (15 miles), Oakland International Airport (30 miles) and San Francisco International Airport (40 miles). BARTLINK bus service provides express connections to Bay Area Rapid Transit trains across the Carquinez Strait.

Medical care is centered around two large facilities. Kaiser Permanente's Vallejo Medical Center includes a 259-bed hospital, a leading rehabilitation center and medical offices for 260 physicians. The facility includes a newly completed 44-bed addition. Sutter Solano Medical Center is a 109-bed hospital serving southern Solano County. The facility provides general medical and surgical services, cardiology, obstetrics, orthopedics and 24-hour emergency care.

First Hospital Vallejo is a 61-bed private psychiatric facility specializing in treatment of substance abuse and mental health disorders.

Vallejo is home to the California Maritime Academy, a four-year state college that provides career preparation for marine industries and related fields. It is one of only five such public institutions in the United States. The Vallejo Unified School District includes 17 elementary schools, four junior high schools and two senior high schools. The City also has a number of private schools, including eight preschools, five elementary schools, and two high schools.

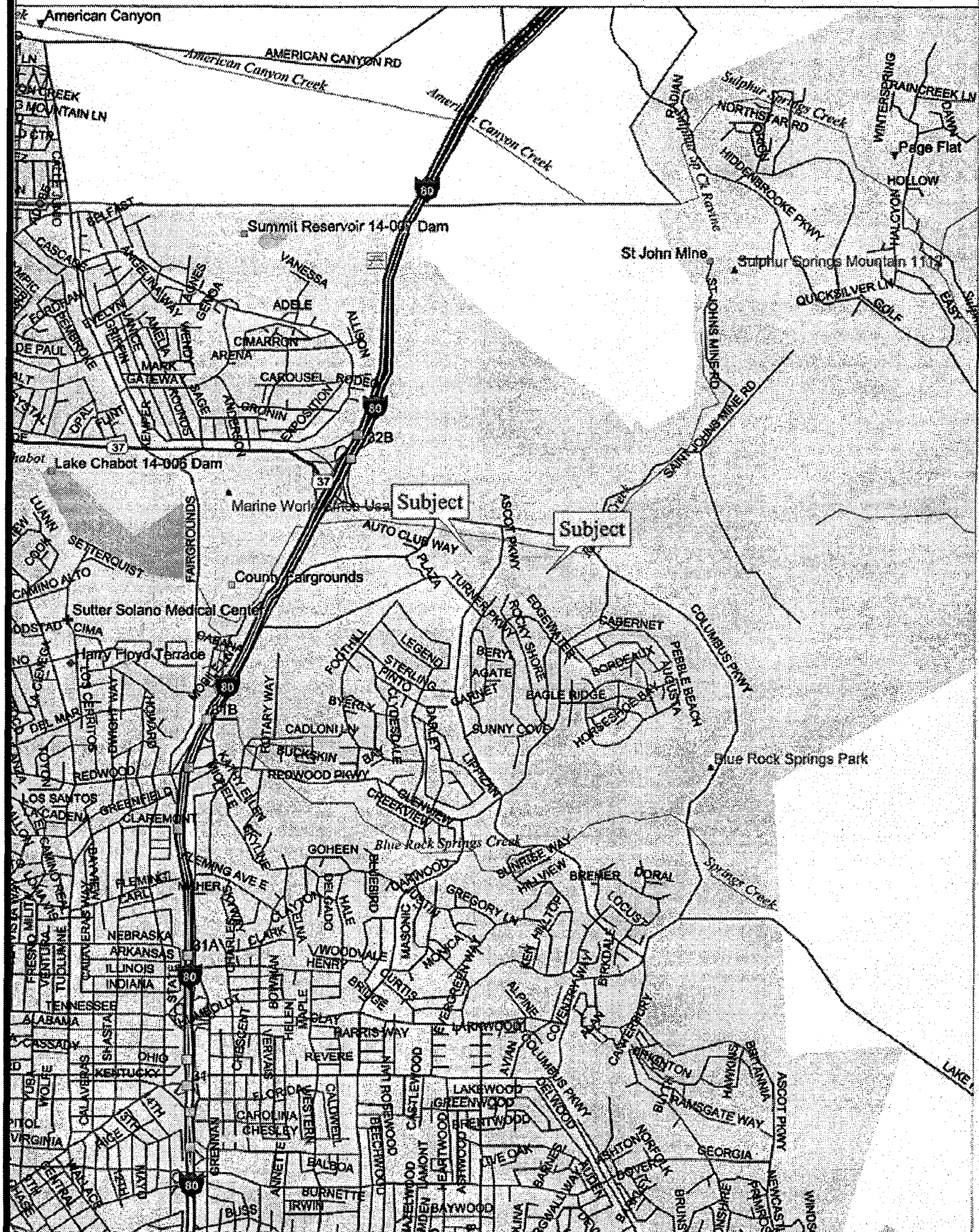
The 2000 average household income in Vallejo is $57,800, which is projected to increase to $59,800 by the year 2005, and to $63,100 by the year 2010. ABAG has projected a housing shortage for the Benicia/Vallejo area as noted on the Household Growth Chart located in the Regional Analysis section of this report.

IMMEDIATE ENVIRONS

The Subject Property is located in the mixed-use sub-area of the Northgate Planned Community in northeast Vallejo. The Subject Property is located between Columbus and Turner Parkways and on the east and west sides of Ascot Parkway. Proposed uses include the Hyde Park subdivision, automobile dealerships, mixed-use (may include lodging, retail and neighborhood shopping services), neighborhood retail (grocery or drug store), and a community college site. An Area Map is included on the following page.

Adopted in October 1988, the Northgate Specific Area Plan is the blueprint for the development of 1,165 acres of northeast Vallejo, over most of what was the Hunter Ranch property. Northgate is one of five development areas identified by the City of Vallejo in the mid-1970s for the orderly development of remaining large tracts of undeveloped land within the City's sphere of influence.

Area Map


American Canyon
AMERICAN CANYON RD
American Canyon Creek
Summit Reservoir 14-007 Dam
St John Mine
Sulphur Springs Mountain 1113
Page Flat
Lake Chabot 14-006 Dam
Marine World
Subject
Subject
AUTO CLUB WAY
County Fairgrounds
Sutter Solano Medical Center
Harry Floyd Terrace
Blue Rock Springs Park
Blue Rock Springs Creek
COLUMBUS PKWY
ASCOT PKWY
SAINT JOHNS MINE RD
REDWOOD PKWY
TURNER PKWY
NEBRASKA
ARKANSAS
ILLINOIS
INDIANA
TENNESSEE
ALABAMA

After being stalled for several years by foreclosures and legal challenges, as of December 1998, all of the major infrastructure improvements were installed. Major uses located within the Northgate area include Gateway Retail Plaza, the Northgate Mixed-Use Development (subject), as well as several residential developments including Milano, Tiara, Penny Ridge, and Bella Vista.

The Gateway Retail Plaza is located along Turner Parkway in the northwest portion of Northgate. Inclusive of adjoining centers, this commercial area features Costco, Save Mart, Longs Drugs, Century 8 Movie Theaters, The Home Depot, Toys R Us, plus a variety of restaurants and service businesses. Recently, the 544,893 square foot center sold to WATT Commercial for $65,104,000, or $119.48 per square foot. The center was 99 percent occupied at the time of sale and sold based on a 7.43 percent overall capitalization rate. Further west of The Gateway Retail Plaza is The Target Center located at 908-976 Admiral Callaghan Lane. This 207,520 square foot center is approximately 97 percent occupied. Other tenants in the center include Hancock Fabrics, Blockbuster Video, RadioShack, Sleep Train, Starbucks Coffee, Taco Bell, and a number of other small retail tenants. Current asking rents range from $1.75 to $2.45 per square foot, "triple net." Overall, retail occupancy is very strong in the subject's neighborhood.

Located northwest of the subject property, along the north side of Columbus Parkway, is vacant land that will be developed with additional retail uses. According to the ownership, two pad sites have been ground leased by a Chevron service station and Burger King. The reported leases are based on $16.00 and $14.00 per square foot, respectively. The 35,000 and 50,000 square foot sites will be located at the future northerly projection of the Admiral Callaghan Lane and Columbus Parkway intersection (directly north of Parcel 1). Additionally, the ownership is also negotiating with Lowe's Home Improvement Center, as well as other potential retail users. Overall, we believe the eventual development of this land will enhance the value of the subject.

Located generally to the east and south of the Subject Property are residential developments. Some of the residential developments are as follows. The "Tiara" subdivision is located generally to the south of the subject. The "Tiara" subdivision, the ownership's previous successful effort at Northgate, recently sold out. Warmington Homes' Milano project also recently sold out. Milano reflects the upscale component of Northgate, selling 2,757 to 3,135 square foot homes on average 6,000 square foot lots with base sale prices from $408,477 to $443,222. Other recently sold-out projects include Kaufman & Broad's "Penny Ridge," which offered 1,739 to 2,326 square foot homes at prices ranging from $301,000 to $329,000. The project sold out in March 2001, with an average absorption rate of ten units per month. Schuler Homes' "Bella Vista" project sold out in September 2001. The project offered 1,683 to 2,420 square foot homes on average 5,000 square foot lots at base prices ranging from $339,990 to $392,990. The project absorbed at an average 2001 rate of 8.0 units per month.

A good network of newer streets and parkways facilitates access within the Northgate area. The major arterials through the neighborhood are Redwood Parkway and Ascot Parkway (north/south), both of which connect with Columbus Parkway (east/west), in the northern portion of the neighborhood. Redwood and Ascot Parkways are fully improved, four-lane arterial streets with curbs, gutters, sidewalks and streetlights along frontages, as well as landscaped medians.

Columbus Parkway provides direct access to Interstate 80 approximately 1.25 miles west of the Specific Plan area. Interstate 80 forms a major neighborhood boundary between the newer developing eastern portion of Vallejo and the more mature downtown area of Vallejo to the west of Interstate 80. Both Columbus Parkway and Redwood Parkway provide direct links from Northgate to the Mare Island Strait and waterfront in the western portion of Vallejo. Overall, access through the area is considered remarkably good.

West of Northgate on the west side Interstate 80 is Marine World Africa USA, Vallejo's major regional attraction. Blue Rock Springs (18-hole) public golf course and community park) are located directly east of Northgate, providing recreation opportunities in the immediate area. There are several mature residential neighborhoods with homes ranging in age from 5 to 20 years bordering Northgate to the south.

In summary, the Northgate Specific Plan area consists of a mixed-use, master-planned community whose predominant land use is low-density residential, with a number of areas designated for commercial and public uses, as well as open spaces. Based on interviews with local real estate professionals, Northgate is positively received by new homebuyers and long-time Vallejo residents as well as local realtors.

Location Conclusion

The City of Vallejo is poised for future growth. The reality is that land in the Bay Area is too valuable to be underutilized, particularly if it has good access to the major employment centers. The City of Vallejo is considered to have the best commute in Solano County to San Francisco and Oakland. Due to this factor, Vallejo is evolving as a bedroom community and an area of new affordable housing. Responding to the devastating economic trauma relating to the closing of Mare Island as a military installation, Vallejo is only the second city in the nation to complete a reuse plan among all the communities affected by the 1993 round of base closures. ABAG's projections for Vallejo show job growth reaching pre-closure levels by the year 2005, with a very strong increase during the 10 years after that. Mean household income is on a growth trajectory as well. However, we think the majority of this growth will be from employment activity outside of Vallejo. The City is working on building up the local employment base beyond the tourist dollars created by Marine World Africa USA. The successful conversion of Mare Island to non-military use is a key to Vallejo's economic future.

NORTHGATE MARKET OVERVIEW

In determining the potential highest and best use of each of the eight parcels, we considered the Northgate Specific Plan, market conditions, actual proposed uses, and a Northgate Market Overview report prepared by Bay Area Economics in June 2002. The report prepared by Bay Area Economics provided a market overview for residential, office, retail, lodging, and continuing care facilities.

Residential Market

California's real estate market has defied expectations this year, with median home prices climbing sharply and sales volume rising to record levels. Strong demand for housing and short supply of newly built homes, supported by the most affordable mortgage interest rates in a generation, boosted housing prices and sales volume in 2003. According to DataQuick Information Services, a La Jolla-based real estate information company, home sales in the

San Francisco Bay Area reached their highest level in 15 years in August. As published by the San Francisco Chronicle on the DataQuick website, as of August 2003, single-family homes in all three subdistricts of Vallejo were selling at prices ranging from $209.00 to $221.00 per square foot. For the subject's specific zip code area of 94591, the median single-family home price was $335,500, and increase of 12.3 percent from one year ago. The volume of sales increased 15.9 percent. For Vallejo as a whole, the volume in sales was 240 units sold. This was the highest per-city volume of sales in Solano County, followed by Vacaville, with 227 total sales.

For Solano County as a whole, the August 2003 median home price was $315,000, up 12.5 percent from the $280,000 median price recorded one year ago. Total volume of sales rose 9.2 percent from 839 sales in 2002 to 916 sales in 2003. Vallejo accounted for 26 percent of total sales in the county.

DataQuick reported that indicators of market distress are still largely absent. Foreclosure rates are low, flipping rates are low, down payment sizes are stable, and there have been no significant shifts in market mix. Residential subdivisions, as previously discussed in the Immediate Environs section, have been selling out at extremely fast rates. Thus, it shows that demand is currently strong and, consequently, it shows that demand and absorption is very strong in the subject's immediate neighborhood. Further, we project a continued strong residential real estate market. According to ABAG, the South County area, including Benicia and Vallejo, has a projected deficit of about 1,600 units. These projections should translate not only an increased demand but also increased home prices. Overall, we believe the proposed 133 residential units on Parcel 3 will be well received based on the above information.

Commercial Market

According to the Specific Plan, there are a number of uses allowed on the commercial parcels within the Northgate development. According to the Northgate Specific Plan, Parcels 1, 2, 7 and 8 can be developed with commercial types of uses that allow for a mixture of office, retail, and commercial uses, along with a community education component. Parcels 5 and 6 are designated as a mixed-use area which allows a wide variety of uses including lodging, independent and/or assisted living housing, restaurants, retail, and office. Lastly, Parcel 5 is designated as a neighborhood shopping and services area which is intended to meet the needs of the surrounding neighborhoods.

The majority of these uses were explored within the Northgate Market Overview report prepared Bay Area Economics. After review of the report, the only use that would not be feasible in the current environment is office use. Although the Northgate site presents an opportunity to increase Vallejo's limited supply of Class "A" office space, the current depressed office market throughout the entire Bay Area does not support building speculative office. Overall, the study found enough existing and proposed supply at competing business parks to meet projected demand for new office space for at least 15 years. Consequently, building office types of uses within Northgate would not likely be the best use of the sites.

Retail Uses

However, there are a number of other uses that would be in demand. According to the report, retail sales and current market conditions suggest strong potential for additional retail development at Northgate, particularly in key retail categories. According to the report, Vallejo is underserved by stores selling jewelry, sporting goods, books, office supplies, and apparel. They also indicated that retail leakage in sales of household furnishings and appliances also occurs. Low vacancy and strong lease rates at existing Northgate shopping centers also point to the potential for further development. In addition to these types of uses, the report also concluded that specialty grocery stores such as Trader Joe's or Ranch 99 and other markets specializing in Asian foods may be able to establish a unique market niche in Northgate. Overall, retail market conditions are considered good.

It was also reported that the Northgate area has a potential for additional lodging facilities. Although a new hotel would need to market itself aggressively to maintain occupancies, the Northgate location appears very desirable. Appropriate hotel users would likely be Extended StayAmerica-type hotels targeting and servicing business travelers. Not only would business travelers be a source of revenue, but also tourists visiting both the Wine Country and Marine World Africa USA would be attractive users of the hotel. According to the developer, Extended StayAmerica has already expressed interest in one of the sites at the Subject Property.

In addition to the lodging market, there appears to be moderate-to-strong support for continuing care facilities in the Northgate area. There are a number of households in the 65-to-69 and 80-and-above age bracket that is projected to increase over the next four years. Further, the income data shows that there is a sufficient number of senior households that have the income and assets to transition to a continuing care facility. Overall, existing facilities in the Vallejo area show high occupancy rates ranging from 95 to100 percent. These high rates, combined with the fact that no planned competitive projects have been identified in the market area, suggest a supply shortage in continuing care facilities. Overall, the report concluded that a modestly sized project that is properly marketed that has strong amenities and services and targets a correct age and income range appears feasible. One report indicated a facility between 100 to 150 independent and congregate living units for the area. In addition to this, the report also expresses support for a 60-to-90 unit assisted living facility with a mix of unit types affordable to those with incomes from $25,000 to $35,000.

In addition to the above uses, the developer has also secured Solano Community College on Parcel 8. The Solano Community College will relocate its Vallejo Center Campus from the John F. Kennedy Library in downtown Vallejo to Northgate. The move is important because the site would offer better freeway access and an opportunity to expand the college facilities. The presence of this facility offers a number of benefits. One of the biggest benefits of an educational institution at Northgate would be the increased economic activity generated by the daily influx of students and staff. This population would increase retail sales and spur the development of businesses serving the students and staff. As Solano Community College administrators anticipate an increase in students at the Northgate location due to greater visibility and improved facilities, this economic activity would be a net increase over current retail sales at the downtown campus. Next, an educational institution would create an attractive gateway to Vallejo, and signal economic development in the City. Overall, the Solano Community College will have a positive impact on the Subject's sites.

Lastly, Parcels 1, 2, and Parcel 7 are planned to be developed with automobile dealerships. Automobile dealerships are a subsegment of the general retail market. They are specialized facilities whose location is strongly influenced by the manufacturer. The majority of the automobile dealerships are now at primary conglomerate locations. An automobile dealership facility is a destination-oriented facility. Although it is a destination-oriented facility, access and visibility are also are also important for sales and, thus, affect the value of a dealership. The value of a specific facility is also linked closely to the strength of the automobile sales market. This is because automotive dealerships are not easily converted to alternative uses; however, we believe that these sites will be of value even to users other than automotive.

Overall, we believe there is a synergy being created within the Northgate development. The synergy is the result of automobile dealerships exercising purchase agreements for Parcels 1, 2, and potentially Parcel 7. Further, the Solano Community College's agreement to relocate their facilities to Parcel 8 will also help in the creation and development of Northgate. As previously mentioned, there are a number of uses that appear feasible within the Northgate development. In estimating value for the residential and commercial parcels, we have considered the above influences.

NORTHEAST QUADRANT IMPROVEMENT DISTRICT NO. 2003-1

The Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo has a total aggregate principal amount of $7,990,000. These bonds are being issued to provide funds to prepay certain parcels within Assessment District Nos. 58 and 64 that are located within the boundaries of the District, to finance the construction of certain public improvements, to establish a reserve fund for the bonds, and to pay the expenses of the City in connection with the issuance of the bonds. The existing two assessment districts, Assessment District Nos. 58 and 64, currently overlap the boundaries of the District. On the delivery date, the City will deposit an amount sufficient to prepay the unpaid assessments on parcels of land within the Assessment District Nos. 58 and 64 that overlap the boundaries of a District.

The improvements that will be financed by the District shall include:

Description of the Facilities. The Facilities shown below are to be financed by the District. The Facilities shall include the attributable costs of engineering, design, planning, and coordination, together with the expenses related to the issuance and sale of any bonds, including underwriter's discount, appraisals, reserve fund, capitalized interest, bond counsel, disclosure counsel, official statement printing, and all other expenses incidental thereto. The Facilities shall be constructed pursuant to plans and specifications approved by the City. The Facilities are:

1. Improvements to complete the portion of Columbus Parkway between Admiral Callaghan Lane and Redwood Parkway, including clearing, grubbing, grading, base, bearing surface, curbs, gutters, sanitary sewers, storm drains, 400 zone potable water lines, raw water lines, fire hydrants, sidewalks, traffic signs and signals, landscaping, related irrigation systems, and lighting.

2. Improvements to the portion of Ascot Parkway between Turner and Columbus Parkways, including clearing, grubbing, grading, base, wearing surface, curbs, gutters, sanitary sewers, storm drains, waterlines, fire hydrants, sidewalks, traffic signs and signals, landscaping, related irrigation systems, and lighting.

3. Improvements to Turner Parkway for a left-turn pocket and driveway west of Ascot Parkway, including clearing, grubbing, demolition, grading, base, wearing surface, curbs, gutters, sidewalks, traffic signs, landscaping, related irrigation systems, and lighting.

4. Improvements to Open Space Parcels A, B and C, including clearing, grubbing, grading, landslide repair, under drain system, storm drains, access roadways, fencing, park improvements, landscaping, and related irrigation systems.

5. The payment of all amounts necessary to eliminate any fixed special assessment liens or to repay or defease any indebtedness of any tax, fee, charge or assessment levied on lands in the boundaries of the District.

Our concluded values assume that all of the above items (1 through 5) have been completed and include the proposed District No. 2003-1 special tax lien.

SITE DESCRIPTION AND ANALYSIS

The Subject Property is bounded to the north by Columbus Parkway; to the south by a portion of Turner Parkway; to the east by vacant land and new residential subdivisions within the Northgate Specific Plan area; and, to the west by commercial and retail developments that include (from south to north) Costco, International House of Pancakes (IHOP), Wendy's fast-food restaurant, Pep Boys automobile service center, Hungry Hunter restaurant, Union Bank of California, Red Lobster restaurant, and movie theaters. Also located west of the subject is a California State Automobile Association branch office, Comfort Inn motel, and the Gateway center. The Subject Property is further identified by the below parcel numbers.

81-800-060;	as to a portion of Parcels 3, 4 and A
81-800-070;	as to Parcel 1 and a portion of Parcel 2
81-800-080;	as to the remainder of Parcel 2
81-800-090;	as to a portion of Parcels 3 and A
81-800-100;	as to a portion of Parcel 3
81-800-110;	as to a portion of Parcels 3 and A
81-800-120;	as to a portion of Parcel 3
81-800-130;	as to a portion of Parcels 3 and 4, and the remainder of Parcel A
81-800-140;	as to a portion of Parcel 3
81-800-150;	as to a portion of Parcels 3 and 4
81-800-160;	as to a portion of Parcels 3 and 4
81-800-170;	as to the remainder of Parcels 3 and 4
81-800-190;	as to a portion of Parcels 5, 6, 7, 8 and C, and all of Parcel B
81-800-200;	as to the remainder of Parcels 5 and C, and a portion of Parcel 6
81-800-210;	as to the remainder of Parcel 6 and a portion of Parcel 7
81-800-230;	as to the remainder of Parcels 7 and 8

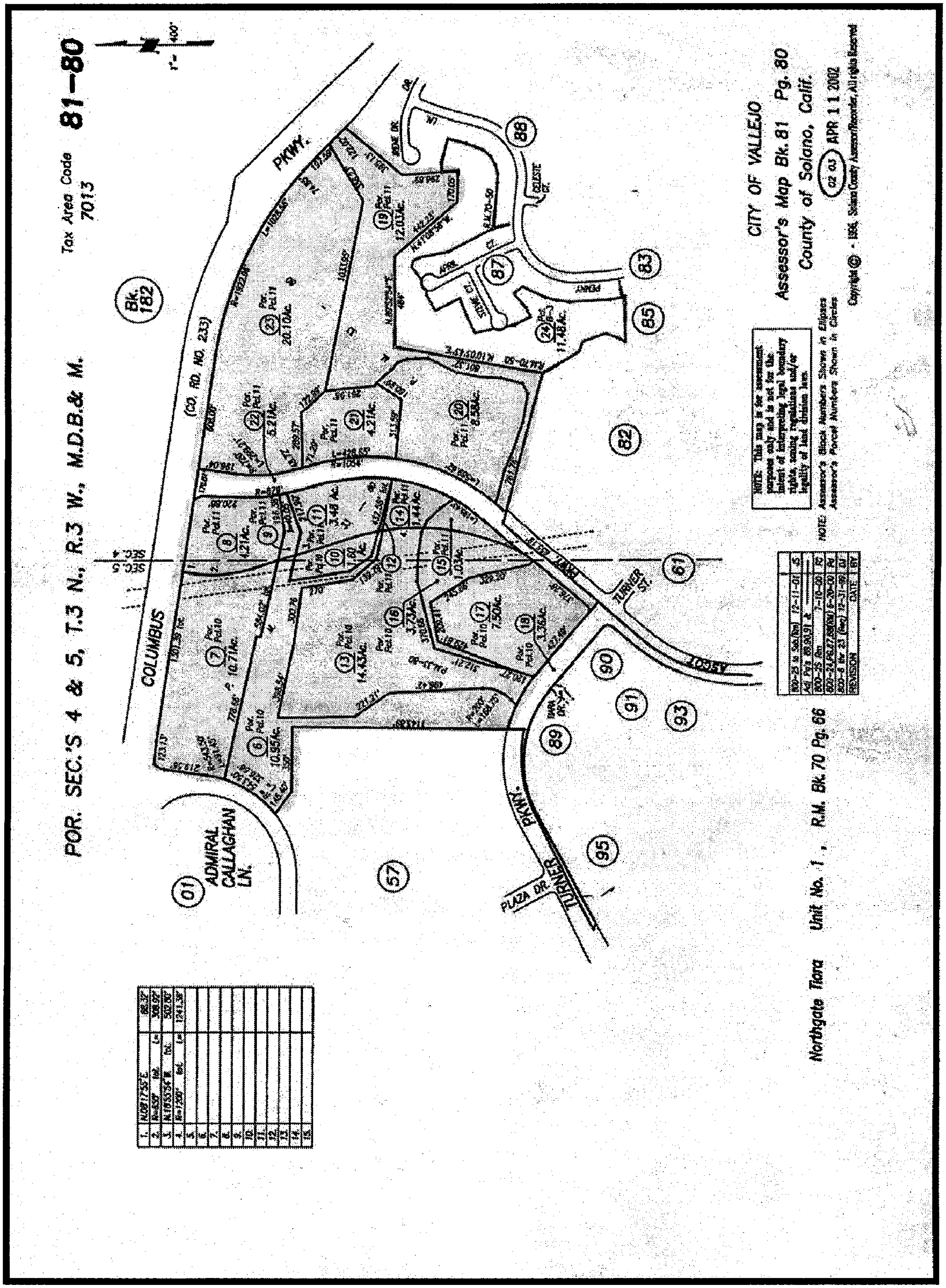
We have not valued Public Open Space Parcels A, B and C as identified in the above description. We have only valued Parcels 1 through 8. A Parcel Map is located on the following page.

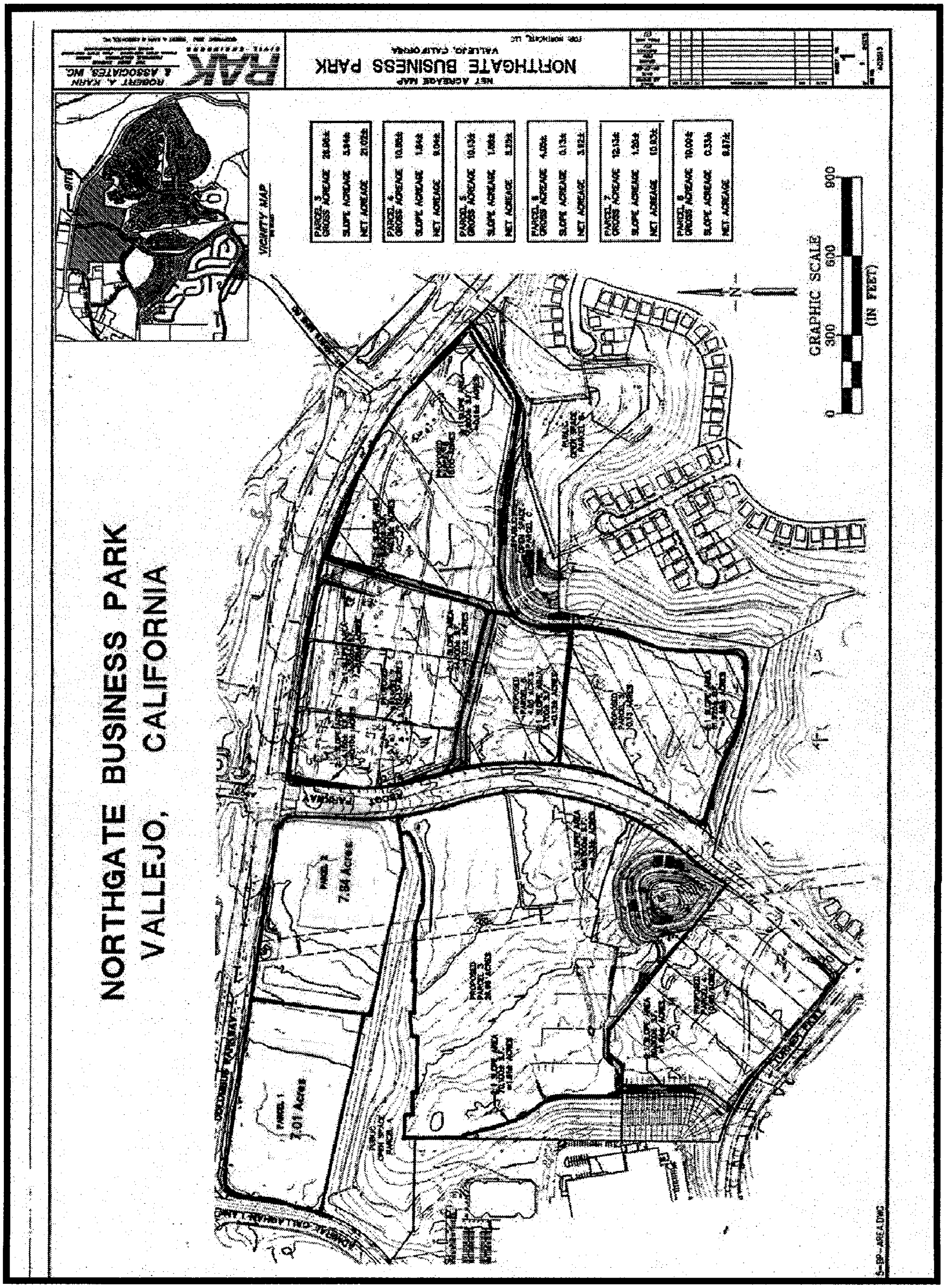
As previously mentioned, the Subject Property consists of eight individual parcels that have a total size of 89 gross acres and 77.68 net acres. The individual commercial sites range in size from 3.92 up to 10.93 net acres. The large residential portion of the Development consists of 26.96 gross acres and is intended to be developed with 133 residential units. We have identified the gross and net acres of the Subject Property presented below. Additionally, we have included a Net Acreage Map that identifies the gross and net acreage of each individual property.

Parcel	Use	Gross (Ac.)	Gross (s.f.)
1	Commercial	7.01	305,356
2	Commercial	7.84	341,510
3	Residential	26.96	1,174,378
4	Mixed	10.88	473,933
5	Mixed	10.13	441,263
6	Commercial	4.05	176,418
7	Commercial	12.13	528,383
8	Commercial	10.00	435,600
Total:		**89.00**	**3,786,840**

Parcel	Use	Gross (Ac.)	Gross (s.f.)
1	Commercial	7.01	305,356
2	Commercial	7.84	341,510
3	Residential	21.02	915,631
4	Mixed	9.04	393,782
5	Mixed	8.25	359,370
6	Commercial	3.92	170,755
7	Commercial	10.93	476,111
8	Commercial	9.67	421,225
Total:		**77.68**	**3,383,741**

According to Community Panel Number 060374-0005 C, dated June 17, 1986, of the FEMA Flood Insurance Rate Map for the City of Vallejo, the subject is located in Zone "C," not considered a flood hazard zone. The subject does not appear to be a wetlands area or an agricultural preserve.


POR. SEC.'S 4 & 5, T.3 N., R.3 W., M.D.B.& M.
Tax Area Code 7013
81–80
COLUMBUS
PKWY.
(CO. RD. NO. 233)
ADMIRAL CALLAGHAN LN.
TURNER PKWY.
PLAZA DR.
CITY OF VALLEJO
Assessor's Map Bk. 81 Pg. 80
County of Solano, Calif.
Northgate Tiara Unit No. 1, R.M. Bk. 70 Pg. 66


NORTHGATE BUSINESS PARK
VALLEJO, CALIFORNIA
NORTHGATE BUSINESS PARK
VICINITY MAP
GRAPHIC SCALE
0
300
600
900
(IN FEET)
7.01 Acres
7.84 Acres

The site is also traversed by steel towers, each of which contain three pairs of high-voltage overhead electrical transmission lines that trend north/south across the westerly portion of the property through Parcels 2 and 3. The power lines are owned and operated by PG&E and are powered at 230kv. The areas inside the PG&E electrical easement are restricted from structural and building type development; although, the easement area is allowed to contain driveways or parking lots; i.e., subject to review and approved by PG&E. While there is an ongoing concern about the Electro Magnetic Fields (EMFs) with regard to adverse health affects, an eight-year, $5 million study coordinated by the National Cancer Institute concluded that power line EMFs "are not a major, and probably not even a minor, component to the cause of cancer." (The Sacramento Bee, July 3, 1997) A more detailed discussion of the location of these power lines can be found in the individual description of each of the parcels.

We also reviewed the provided Preliminary Title Report prepared by Frontier Title Company on October 7, 2003. The report was reviewed to determine easements, covenants or conditions that would impact the Subject Property. As mentioned above, there is a 75-foot-wide strip over portions of Parcels 2, 3 and 4 that are encumbered by the electrical transmission lines. We have addressed the impact of these lines in the Valuation section of this report. There are a number of other easements identified within the report which are easements for storm drains, public utility easements, easements for gas pipelines, and ingress to and egress from all fixtures. Although we were not able to locate the locations of many of these easements, we believe they do not negatively impact the value of the Subject Property. We have assumed that many of these easement areas are located along the perimeter of the parcels and would not prevent development of the subject properties. Further, we have noted a proposed common access easement between Parcels 1 and 2. This impacts the easterly 25 feet of Parcel 1 and the westerly 25 feet of Parcel 2. We believe this access easement enhances the value of each parcel. With the exception of the overhead transmission lines, we believe there are no other negative easements, conditions or covenants that would negatively impact the value of the individual parcels.

According to SP-42 Fault Rupture Zones in California, provided by the California Department of Conservation, Division of Mines and Geology, in accordance with the Alquist-Priolo Special Studies Zones Act of 1972, the Subject Property is not located in an identified seismic danger zone. Danger to the subject land and improvements from potential earthquake activity is considered minimal. Adequate design and construction can minimize the potential for earthquake damage to future improvements. The active faults closest to the site are the Concord-Green Valley and West Napa Faults, located 3.5 miles east and 4.0 miles northwest of the site, respectively.

A master soils report was prepared on the entire property by Wallace, Kuhn & Associates, Inc., regarding potential environmental hazards. Their assessment revealed no evidence of Recognized Environmental Conditions in connection with the Subject Property. The value conclusions of this report are contingent upon this assessment being correct.

A description of each individual parcel follows.

Parcel 1: Parcel 1 is located at the southeast corner of Admiral Callaghan Lane and Columbus Parkway. Parcel 1 is slightly above grade to both Admiral Callaghan Lane and Columbus Parkway. However, it is generally level and available for development. Parcel 1 consists of 7.01 acres, or 305,356 square feet. Located on the southern boundary of this parcel is a sloped hill used as open space. The off-site improvements along Admiral Callaghan Lane are fully improved with concrete curbs, gutters, and sidewalks. There is a designated right-hand turn lane and two left-hand turn lanes onto Columbus Parkway. This is a fully signalized intersection. Access to Interstate 80 is located less than one-half mile to the west. Access to the freeway is considered very good. Further, Admiral Callaghan Lane is the main access road into the main retail center known as The Gateway Retail Plaza. Improvements along Columbus Parkway at the property are fully improved with concrete curbs, gutters, and sidewalks. There is also a concrete median with overhead lighting. Located along the eastern boundary of the Subject Property is a designated right-hand turn lane that provides access to the site. The driveway also allows access to Parcel 2, located contiguous to the east of the subject.

Parcel 2: Parcel 2, as previously mentioned, is located contiguous to the east of Parcel 1. It is located at the southwest corner of Ascot and Columbus Parkways. The property is above and at grade with Columbus Parkway but below grade to Ascot Parkway. It is generally level, graded and available for development. Site size is estimated at 7.84 acres, or 341,510 square feet.

At the time of inspection, Ascot Parkway is currently under development and will eventually be fully improved with concrete curbs, gutters, and sidewalks. Located at the western boundary of the property are overhead utility lines. There is an overhead utility tower located at the northwest corner of the site. No structures would be allowed to be built in this area; however, this area can be used for parking and will work nicely with the proposed automotive dealership. Located along the southern boundary of this parcel is hilly, rolling topography designated as open space. The open space provides a good buffer between the commercial uses proposed for Parcel 2 and the proposed residential uses located at Parcel 3. As discussed in Parcel 1, a joint easement agreement for the shared driveway between Parcels 1 and 2 is assumed to exist.

Parcel 3: This 27-acre (gross) parcel is located along the west side of North Ascot Parkway. A Unit Plan for 133 homes has been approved by the City Council of the City of Vallejo. This approval allows the neighborhood to be gated between the hours of 6:00 p.m. and 8:00 a.m. There is 75-foot wide easement with high-voltage overhead electrical transmission lines running diagonally across the site. There are approximately 1.7 acres of downhill slope on the western portion of the property. This slope will be owned by a homeowner's association ("HOA") and maintained by the City of Vallejo's Northeast Quadrant Landscape Maintenance District. The HOA will be formed for the ownership and maintenance of the streets within Parcel 3, the 75-footwide power line easement, parks, and open space areas, entry gates, and signs.

The parcel has been graded and access to the site will be from a signalized full-turning movement intersection on North Ascot Parkway. The property has very good views. A Final Map, Improvement Plans, and a Subdivision Agreement must be approved by the City of Vallejo before the land development improvements can be completed and homes started.

Four floor plans are proposed for Hyde Park that range from 2,400 to 3,000 square feet. The estimated sale price is between $450,000 and $550,000. Construction of the four model homes and sales office is scheduled to start in January 2004 with completion by July 2004. Production homes are scheduled to start in February 2004 for the first home closing projected for August 2004.

Parcel 4: Parcel 4 is located at the northwest corner of Turner and Ascot Parkways. The site is generally level and at grade to Turner Parkway and contains 10.88 gross and 9.04 net acres. Turner Parkway is a fully improved arterial with concrete curbs, gutters, and sidewalks. There are two lanes in each direction as well as a concrete median. The intended use is a neighborhood shopping center. Although the property is generally level and at grade, its western boundary slopes downward and is unusable. The site has excellent views of Marine World Africa USA and the City of Vallejo. The ownership intends on developing a 100,000 square feet shopping center on the site in 2005.

Parcel 5: Parcel 5 is a 10.13-gross-acre site located along the eastern side of Ascot Parkway. The usable square footage is estimated at 8.25 acres. The site is generally level and at grade with some sloping areas located at the rear. There is open space surrounding the subject's eastern and southern boundaries. This is a hilly area. The hills provided an excellent buffer to the residential uses located to the east. Access to this site will be from Ascot Parkway.

Parcel 6: Parcel 6 is located contiguous to the north of Parcel 5. This 4.05-gross-acre parcel is generally level and at grade to Ascot Parkway. The estimated net acreage is 3.92 acres. All available utilities will be available to this site once all infrastructure is put in place. Like Parcel 5, the eastern boundary of this property has hills and rolling topography. The site is generally level and at grade and available for development.

Parcel 7: Parcel 7 is located at the southeastern corner of Ascot and Columbus Parkways. The property is above grade and at grade to Columbus Parkway. Further, the property is below grade and at grade to Ascot Parkway. The site has been graded and is generally level.

Parcel 8: Parcel 8 is a 10-acre site that will be used for commercial purposes. The site consists of 9.67 net acres. The site is generally level and at grade to Columbus Parkway. It is contiguous to Parcel 7 and is above grade to Parcel 7. Located along the southern boundary is open space area. There are no concrete curbs, gutters, or sidewalks located the length of Parcel 8, along Columbus Parkway. All off-site costs are needed for the site. Further, there will also be an intersection constructed at Columbus Parkway and St. John Mine Road, which will be the main access road into Parcel 8.

The Subject Property has been developed as a mixed-use commercial and residential project consisting of eight parcels. As of the date of inspection, the majority of the sites have been graded or are currently being graded and are generally level. Additionally, we have assumed that the Northeast Quadrant Improvement District No. 2003-1 has been completed and all off-sites in place. A more detailed discussion of the improvement district was previously described within the report. Additionally, all of the sites have good-to-very good access and visibility. Overall, the individual sites are adaptable to many types of uses including retail and residential. There are no significant adverse site factors.

ZONING

The Northgate Specific Plan was proposed and adopted in 2003 in order to provide a comprehensive plan for the development of mixed residential and non-residential land uses supporting schools and open space. A Proposed Land Use Map is located on the following page. Vallejo City Council amended the Northgate Specific Plan in July 2003 to allow for specific land uses. These four specific land use areas are:

- Mixed-Use (Parcels 5 and 6)
- Commercial (Parcels 1, 2, 7 and 8)
- Neighborhood Shopping and Services (Parcel 4)
- Low-Density Residential (Parcel 3)

The Land Use Amendment was adopted as a result of the changing needs of Vallejo, specifically as a result of the ownership and land use changes at Mare Island. During the time of this amendment, Mare Island was in the midst of transitioning from a Naval Shipyard to a 1,400-acre mixed-use development. The new Mare Island mixed-use development includes such uses as business, office and commercial, and residential.

The overall goal for this Specific Plan in the Northgate project was to complement the City as a whole and be a self-supporting community by providing a variety of residential uses, retail, commercial, an employment center, schools, and open space for passive recreational opportunities. The four different uses follow.

Mixed-Use Land Use

The mixed-use area, although more diverse in its users, is located on the east side of Ascot Parkway, south of Columbus Parkway. It is envisioned that the mixed-use development will allow a relatively wide variety of permitted uses such as lodging, independent and/or assisted living housing, restaurants, retail and office within a number of separate buildings, each with their own required parking and landscaping.

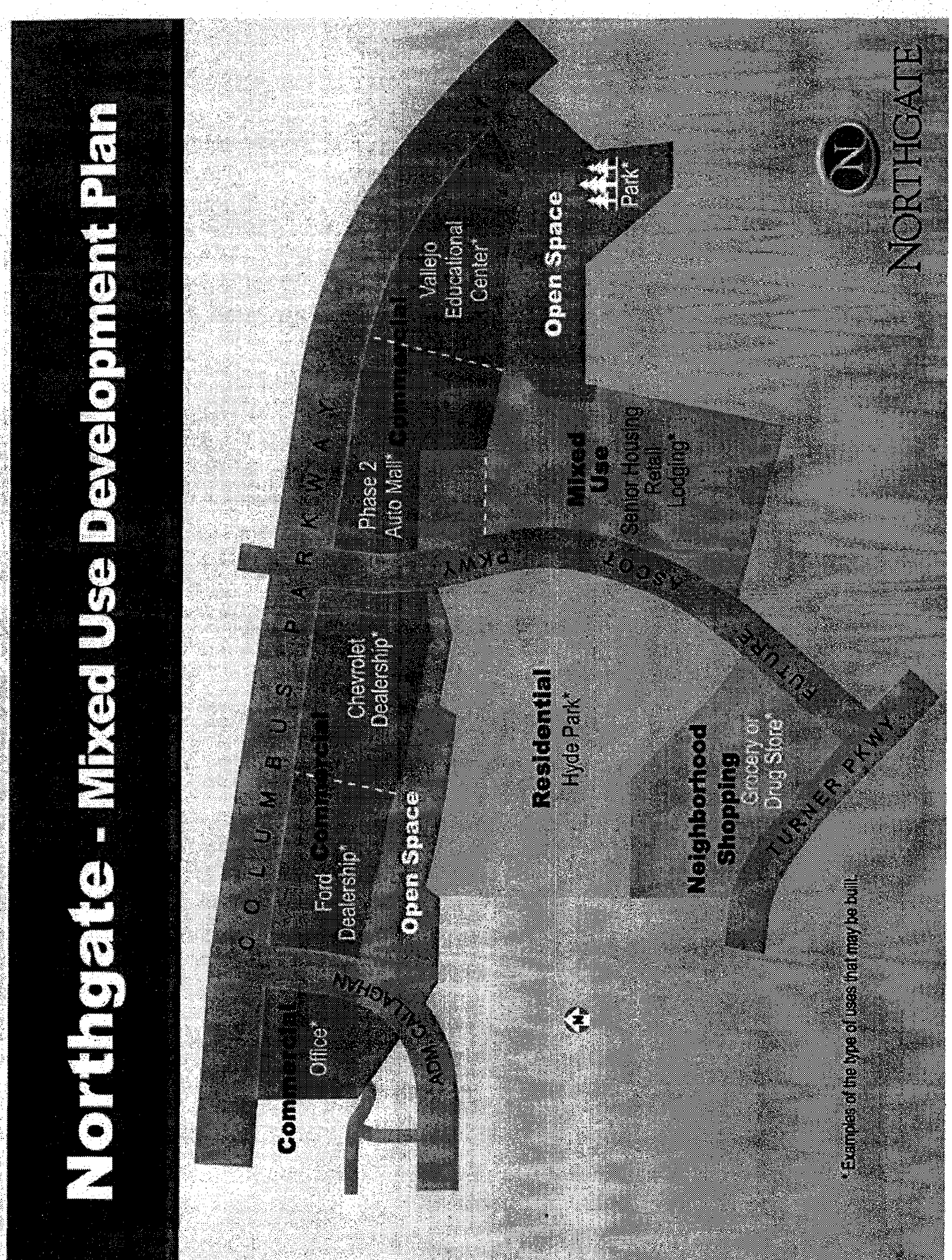
Neighborhood Shopping Services Land Use

This area shall be designed to reflect a high-quality development image. The intent of this area is to meet the needs of the surrounding neighborhoods. Fronting on Ascot and Turner Parkways, this area is easily accessible by both pedestrian and vehicular traffic which reduces the traffic impacts and conflicts with both the existing and proposed residential, mixed-use area, and other existing uses in the area. Uses include food and beverage sales, general retail sales, etc.

Building setbacks, landscape and site design guidelines are also provided by this Specific Plan.

Commercial Land Use

This commercial area has been placed adjacent to Columbus Parkway, Ascot Parkway, and Admiral Callaghan Lane. The proposed mixture of potential office, retail, commercial uses, along with a community education component, will complement the area.


Northgate - Mixed Use Development Plan
COLUMBUS PARKWAY
Commercial
Office*
ADMIRAL CALLAGHAN
Commercial
Ford Dealership*
Chevrolet Dealership*
Open Space
Residential
Hyde Park*
Neighborhood Shopping
Grocery or Drug Store*
TURNER PKWY
FUTURE ASCOT PKWY
Phase 2 Auto Mall*
Commercial
Mixed Use
Senior Housing
Retail
Lodging*
Vallejo Educational Center*
Open Space
Park*
NORTHGATE
* Examples of the type of uses that may be built.

Low-Density Residential

In addition to the commercial zonings, the Northgate development plan also allows for residential use on Parcel 3. The proposed use includes 133 residential units on Parcel 3.

The Vallejo General Plan and the Northgate Specific Plan have been amended (General Plan Amendment No. 02-0002, Master Plan and Specific Plan Amendment No. 87-02K) as of July 29, 2003, to allow development of the Hyde Park residential subdivision as proposed by Mandrich Development. The specific zoning has been re-designated to Low-Density Residential, which allows 0.5 to 8.7 dwelling units per acre. The approved Unit Plan will result in a gross density of about 5.0 dwelling units per acre.

For purposes of this appraisal, we have assumed that the residential portion of the Development has been approved with final map and has also been granted unit approvals.

HIGHEST AND BEST USE ANALYSIS

Highest and best use, as used in this appraisal, is defined as that reasonable and probable use that will support the highest present value, as of the date of this appraisal, for the Subject Property. A property's highest and best use usually corresponds to the legal use allowed by zoning for vacant lands and the existing use for improved properties. Generally, an existing use will continue until the value of the land "as if vacant," less demolition exceeds the value of the improved property.

The highest and best use of both the land "as though vacant" and the property "as improved" must meet four tests. The highest and best use must be:

1) Legally Permissible;
2) Physically Possible;
3) Financially Feasible; and,
4) Maximally Productive.

These criteria are usually considered sequentially: a use may be financially feasible, but this is irrelevant if it is physically impossible or legally prohibited. Only when there is a reasonable possibility that one of the prior, unacceptable conditions can be changed is it appropriate to proceed with the next step in the analysis.

Site "As If Vacant"

Physically Possible: The uses for which land can be used are related to its location, size, shape, and topography, among other factors. The subject site is being developed as a mixed-use commercial/residential project consisting of eight parcels with frontage on three commercial arterials. The subject site is adaptable to many types of uses including residential, retail, and office. There are no significant adverse site factors.

Legally Permissible: Private restrictions, building codes, zoning and other legal requirements potentially place restrictions on the highest and best use of a property. The legally permissible uses on-site are governed by the City. The legally permissible uses on site are governed by the City of Vallejo's Amended Northgate Specific Plan. The Specific Plan permits a variety of commercial uses along with residential development. All of the uses identified within the Northgate Specific Plan would be considered legally permissible.

Financially Feasible: The feasibility of developing this site is directly tied to current market conditions, including demand, and to construction and land costs. Surrounding land use patterns support both commercial and residential development. This is supported by current market conditions, future projections, as well as a detailed Northgate Market Overview prepared by Bay Area Economics. It is our view that the Northgate project will be a self-supporting community by providing a variety of residential uses, retail, commercial, an employment center, schools, and open space. It is our opinion that the proposed uses identified within the Northgate Specific Plan are financially feasible uses for each of the various sites.

Maximally Productive: The use for a property is maximally productive when it provides the highest net return to the land among the available possibilities. This test involves evaluating the various potential uses that meet the previous three tests to determine that use which generates the maximum value to the underlying land and the highest developer's profit. The most direct manner for determining this is to recognize market conditions for the various alternative uses. In addition, the analysis takes into account whether the property would be developed on its own, or assembled and developed in conjunction with adjoining properties. If the latter is a consideration, the reasonable probability of assemblage needs to be supported and recognized. The three tests evaluated to this point indicate that retail use is physically possible, legally permissible, and financially feasible.

It is our opinion that the individual subject sites should be developed with uses defined within the Northgate Specific Plan. We believe there is market demand for all of the various uses identified within this Specific Plan. Further, we believe a synergy is being created within the Northgate area as a result of automobile dealers purchasing Parcels 1, 2, and potentially 7. Further, Solano Community College has also purchased Parcel 8. These users will help in the development of the remaining parcels. Further, the residential component located on Parcel 3 will also aid in the development of the entire Northgate area. Consequently, the Subject Property, "as if vacant," is most suitable for uses described within the Northgate Specific Plan.

Conclusion – "As If Vacant"

Based on our analysis of legally permissible, physically possible, and financially feasible uses, it is our opinion that the highest and best use of the site "as if vacant" is for mixed-use development as described in the Northgate Specific Plan.

SECTION III - VALUATION

APPROACH TO APPRAISAL

The estimation of a real property's market value involves a systematic process in which the problem is defined and the data required is gathered, analyzed and interpreted into an estimate of value.

Three methods of valuation are applied to the appraisal of vacant land. The most often used approach is the Sales Comparison Approach. This method involves the comparison of the Subject Property with recent sales of comparable properties on the basis of sale price per square foot or sale price per unit. Adjustments are made for differences in time, location, topography, etc., as necessary.

A second method of land appraisal is the Land Development Approach. This approach involves estimating the development costs of installing all utilities and off-sites. These costs can be subtracted from a known improved lot value (established by sales comparison) to arrive at an estimate of raw land value or added to the known raw land value to arrive at the value of an improved site.

The third method employed is an Income Residual Method. An estimate is made of the potential net income which can be earned from the site improved with buildings. The cost of these improvements is estimated to determine the portion of the income needed to supply a fair return on these costs. The residual income is available for a return on the land. Therefore, this income is capitalized into an indicated land value.

Generally, the Sales Comparison Approach is the preferred method for estimating the value of land. This is because it is directly supported from the market with actual sales data.

In estimating market value, we have followed the guidelines set forth by the State of California Debt Advisory Commission in the publication dated May 1994, entitled "Appraisal Standards for Land Secured Financings."

In this appraisal, we are estimating the value of the individual tracts, assuming completion of District 2003-1 funded improvements. We have also assumed the land has been graded and is available for development.

Further, we have assumed that Parcel 3, the residential parcel, has received final map and unit plan approval.

Because the Subject Property consists of both commercial and residential land, it was necessary to provide two sets of sale comparables. The first section of the Sales Comparison Approach will focus on the commercial parcels (Parcels 1, 2, 4, 5, 6, 7 and 8). The second part of the Sales Comparison Approach will focus on valuing Parcel 3, the residential parcel.

SALES COMPARISON APPROACH

The most common way of estimating land value is the Sales Comparison Approach in which recent sales or offerings of vacant land similar to that of the subject are gathered and analyzed. Typically, the values indicated by the comparable transactions are reduced to a unit of comparison such as sale price per square foot of land area.

To estimate the value of the subject parcels, each comparable sale is adjusted to the subject for differences such as financing, conditions of sale, time, location, physical characteristics, zoning, or other significant differences.

Commercial

As mentioned above, we will first estimate the value of the commercial portions of the Subject Property. We first focused on comparing the land sale comparables to the subject's most desirable commercial parcel (Parcel 1), which is located at the corner of Admiral Callaghan Lane and Columbus Parkway. After concluding a value on a price-per-square-foot basis for this parcel, we will next consider the other commercial parcels located within the Northgate development.

An investigation was made for comparable land sales in competing areas. Seven comparables were selected as most significant to this appraisal. A summary of these comparables is included on the table below, followed by a Location Map. Individual sale sheets are included in the Addendum of this appraisal. The comparables ranged in size from 1.28 to 9.67 acres. Before adjustment to Parcel 1, they indicate a unit price range from $8.03 to $12.83 per square foot of land area.

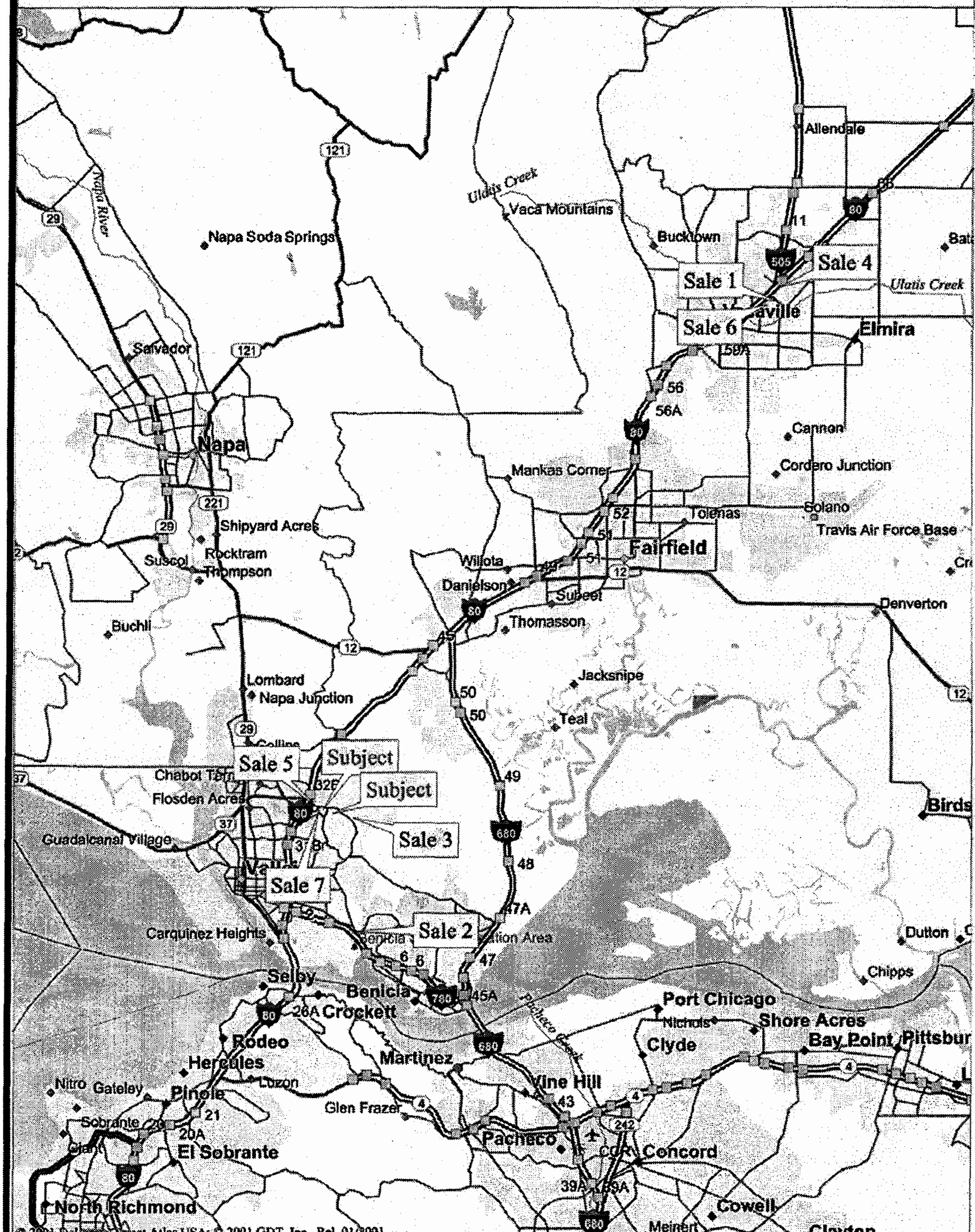
LAND SALES SUMMARY

Sale No.	Location	Net Size (S.F.)	Zoning	Sale Date	Sale Price	Price/S.F.	Comments
1	SEC - Nut Tree Rd. and Burton Dr. Vacaville	220,849 5.07 Ac.	General Commercial	Jan-03	$1,774,051	$8.03	Price includes $274,051 in bonds; purchased to develop an assisted care center; site is level and at grade with all public utilities and off-sites in place.
2	2170 Columbus Pkwy. Benicia	107,593 2.47 Ac.	General Commercial	Jul-03	$865,000	$8.04	Price includes $15,000 in demolition cost b/c property is improved with SFR; property has minimal visibility to I-780 and access is below average; future commercial development; property is level and at grade with access to all utilities; no concrete curbs, gutters, or sidewalks.
3	Parcel 8 - Subject Property Solano Community College Vallejo	421,225 9.67 Ac.	Commercial	Nov-03	$3,777,928	$8.97	Price includes $984,434 in bonds and traffic light; level with all off-sites; 10 gross acres.
4	SWC - Orange and Lawrence Drives Vacaville	153,767 3.53 Ac.	General Commercial	Dec-02	$1,807,000	$11.75	The buyer has built a 23,500 s.f. Buick/Pontiac/GMC auto dealership; property is level and at grade with all offsites and utilities; property is visible from I-80.
5	Gateway Plaza (East) (Behind Pep Boys and Toys R Us) Proposed Kohl's site Vallejo	175,000 4.02 Ac.	Commercial	Sep-03	$2,198,000	$12.56	Price includes bonds; approx. 1.81 acres considered unusable; site is improved with asphalt parking area; buyer will ground lease to Kohl's.
6	Helen Power Dr. Vacaville	102,366 2.35 Ac.	Commercial	May-03	$1,259,259	$12.30	Developed with a Marshalls; a pad site located within an existing neighborhood center; off-site improvements in place; level and at grade; price includes bonds.
7	Toyota Pre-owned Dealership NEC Admiral Callaghan Lane	55,757 1.28 Ac.	Commercial	Oct-01	$715,472	$12.83	34-year ground lease based on 10% return; every 5 years CPI adjustment, no more than 12.5%; all contingencies/approvals were met in 3/02; estimated value includes bonds.

Hulberg & Associates, Inc.

Because of the difficulty in adjusting the comparables to the Subject Property, we have included an Adjustment Grid following the Location Map. The grid is not a scientific method in adjusting the comparable sales in comparison to the Subject Property. It is merely presented as an explanation to help the reader follow the appraiser's judgment in the adjustment process. While the amounts of individual adjustments can be argued, they do help provide an order of magnitude and an adjustment direction based on the market data presented. Primarily, consideration was given to time, location, size, and use/zoning of the comparable properties as they relate to the subject.

Commercial Land Sale Map



LAND SALE ADJUSTMENT GRID

COMPARABLE SALES	1	2	3	4	5	6	7
DATE OF SALE	Jan-03	Jul-03	In Escrow	Dec-02	Sep-03	May-03	Oct-01
SALE PRICE	$1,774,051	$865,000	$3,777,928	$1,807,000	$2,198,000	$1,259,259	$715,472
LAND (SF)	220,849	107,593	421,225	153,767	175,000	102,366	55,757
ZONING	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial
PRICE/SQ FT	$8.03	$8.04	$8.97	$11.75	$12.56	$12.30	$12.83
ADJUSTMENTS							
Financing	$0	$0	$0	$0	$0	$0	$0
Conditions of Sale	$0	$0	$0	$0	$0	$0	$0
NORMAL SALE PRICE	$1,774,051	$865,000	$3,777,928	$1,807,000	$2,198,000	$1,259,259	$715,472
TIME ADJUSTMENT							
Months Since Sale	10	4	0	11	2	6	25
Total Adjustment	3.0%	1.0%	0.0%	3.0%	0.0%	2.0%	6.0%
Dollar Adjustment	$53,222	$8,650	$0	$54,210	$0	$25,185	$42,928
TIME ADJ PRICE	$1,827,273	$873,650	$3,777,928	$1,861,210	$2,198,000	$1,284,444	$758,400
LOCATION	25.0%	30.0%	10.0%	-5.0%	-10.0%	-5.0%	0.0%
SIZE	-4.0%	-10.0%	6.0%	-8.0%	-6.0%	-10.0%	-12.0%
USE	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CONTINGENCIES/APPROVALS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-10.0%
UTILITIES/OFF-SITES	0.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL % ADJUSTMENT	26.0%	30.0%	16.0%	-13.0%	-16.0%	-15.0%	-22.0%
	$475,091	$262,095	$604,468	($241,957)	($351,680)	($192,667)	($166,848)
SITE DEVELOPMENT	$0	$0	$0	$0	$0	$0	$0
DEMOLITION COSTS	$0	$0	$0	$0	$0	$0	$0
CONTRIBUTORY IMP. VALUE	$0	$0	$0	$0	$0	$0	$0
TOTAL $ ADJUSTMENT	$0	$0	$0	$0	$0	$0	$0
INDICATED VALUE	$2,302,363	$1,135,745	$4,382,396	$1,619,253	$1,846,320	$1,091,778	$591,552
INDICATED PRICE PER SQ FT	$10.43	$10.56	$10.40	$10.53	$10.55	$10.67	$10.61

Hulberg & Associates, Inc.

Land Sale Number 1, at $8.03 per square foot, including bonds, is located at the southeast corner of Nut Tree Road and Burton Drive in Vacaville. This is the sale of a 5.70-acre site which is generally level and at grade and fully improved with concrete curbs, gutters, and sidewalks. The buyer of the property intends to develop an assisted care center on the site. This commercial site is located in a secondary commercial area. The intended use for assisted care living facility appears to be an appropriate use considering there are residential uses within close proximity of the property.

In comparison, an upward adjustment was made for market conditions. Values for commercial sites have increased over the last year. Additionally, a large upward adjustment was made for location. As previously mentioned, this is a secondary commercial location and does not have the commercial appeal like the Subject Property. In contrast, a downward adjustment was made for site size because smaller sites tend to sell for a higher price per square foot. Lastly, an upward adjustment was made for the intended use of the site as an assisted living facility. Sites developed with assisted living types of facilities often sell for slightly lower prices when compared to typical commercial sites. After adjustments, Parcel 1 would sell for significantly more on a price-per-square-foot basis.

Land Sale Number 2, at $8.04 per square foot, is located at 2170 Columbus Parkway in Benicia. This is the sale of a 107,593 square foot site (2.47 acres). The property was improved with a single-family residence and required an estimated $15,000 in demolition costs which will be absorbed by the buyer. Although the property backs to Interstate 780, the property has minimal visibility. Further, access to the site is very circuitous and difficult. The property was purchased for future commercial development. Generally, the site is level and at grade but there are no off-sites; i.e., concrete curbs, gutters, or sidewalks.

In comparison, a slight upward adjustment was made for market conditions to reflect the upward trend in commercial sites. A significantly larger upward adjustment was made for location because of the difficult access issues. The Subject Property is far superior in terms of commercial influence when compared to this site. An additional upward adjustment was made for off-sites that are not present at this property when compared to the subject. Lastly, a downward adjustment was made for site size because smaller sites tend to sell for more on a price-per-square-foot basis. After adjustments, the Subject Property would sell for significantly more on a price-per-square-foot basis mainly due to location and this comparable's lack of off-sites.

Land Sale Number 3, at $8.97 per square foot, is the sale of Parcel 8 (Subject Property) to Solano Community College. Like all of the sale comparables, we have calculated the price per square foot on a usable basis, or 9.67 acres. Included in the purchase price includes a bond amount of $984,434 which includes paying off several existing districts and proposed bond district. Additionally, it includes the cost to install a traffic light on Columbus Parkway and St. Johns Mine Road. Overall, the purchase price includes the property being level and at grade and having all available off-sites; i.e., concrete curbs, gutters, sidewalks.

In comparison, no adjustment is needed for market conditions because the property is currently in escrow. A larger upward adjustment was made for location because this property is not located on a corner and is the furthest parcel to the east within the subject development along Columbus Parkway. It is inferior in terms of commercial influence because it has less exposure when compared to Parcel 1. Additionally, an upward adjustment was also considered for site size. This parcel is more than 2.65 acres larger than the subject and a lower price per square foot is typically paid for larger sites. After adjustments, the parcel would sell for more on a price-per-square-foot basis.

Land Sale Number 4, at $11.75 per square foot, is located at the southeast corner of Orange and Lawrence Drives in Vacaville. This is the sale of a 3.53-acre site that was developed with a 23,500 square foot Buick/Pontiac/GMC automobile dealership. The property is level and at grade with all off-sites and utilities in place. The property is visible from Interstate 80 and located along one of the major commercial arterials in Vacaville.

In comparison, an upward adjustment was made for market conditions because commercial values have increased over the last year. In contrast, downward adjustments are required for location and site size. As previously mentioned, this site has visibility from Interstate 80 and is located along one of the major arterials in Vacaville. Further, this site is smaller than Parcel 1 and smaller sites tend to sell for a higher price per square foot. After adjustments, the parcel would sell for less on a price-per-square-foot basis.

Land Sale Number 5, at $12.56 per square foot, is located within The Gateway Retail Plaza (East) behind Pep Boys and Toys R Us. The buyer will ground lease the site to Kohl's. Syufy Entertainment purchased this site. According to the seller, approximately 1.81 acres is considered unusable. The site was purchased based on the $12.00 per square foot of usable area. Reportedly, there will be on-site improvements made (retaining wall) to attempt to level the unusable areas. However, this will be the responsibility of either the buyer of the property or Kohl's. All off-site improvements were in place at the time of sale.

In comparison, no adjustment was made for market conditions due to the relatively recent sale date. A downward adjustment, however, is necessary for location. This property is located within The Gateway Retail Plaza located within close proximity to Pep Boys, Toys R Us, Costco, and a number of other large retailers. In addition to a downward adjustment for location, we also made a downward adjustment for size. As previously mentioned, smaller sites tend to sell for more on a price-per-square-foot basis. After adjustments, Parcel 1 would sell for less on a price-per-square-foot basis.

Land Sale Number 6, at $12.30 per square foot, is located along Helen Power Drive and Orange Avenue in a neighborhood shopping center. This 2.35-acre pad site was purchased in May 2003. The property was level and at grade and had all available public utilities and off-sites in place. The property was developed with a Marshalls.

In comparison, an upward adjustment was made for market conditions because market conditions for commercial sites have improved within the last year. In contrast, a downward adjustment was made for location because the commercial influence of this site is superior to the subject because it is located within a neighborhood shopping center. Further, a larger downward adjustment was made for site size; i.e., smaller sites tend to sell for more on a price-per-square-foot basis.

Land Sale Number 7, at $12.83 per square foot, is located at the northeast corner of Admiral Callaghan Lane and Auto Club Way in Vallejo. This transaction reflects a ground lease for development of a pre-owned Toyota dealership. The usable area is estimated at 1.28 acres. The site is level and at grade and has all available public utilities. The ground lease was signed in October 2001, and all contingencies/approvals were met in March 2002. The lease has a 34-year term and the agreed-upon land value was $12.00 per square foot with a 10 percent return. The purchase price reflects a higher amount because there were some assessment bonds assumed by the ground lessee.

In comparison, an upward adjustment was made for market conditions because commercial land values have increased over the last 25 months. In contrast, a larger downward adjustment was made for site size; i.e., normally smaller sites sell for a higher price per square foot. Lastly, a downward adjustment was made for contingencies/approvals which were assumed with the signing of the ground lease. After adjustments, Parcel 1 would sell for much less on a price-per-square-foot basis.

Commercial Land Value Conclusion

In summary, we have presented seven comparables for consideration in estimating the value of Parcel 1, which is at the corner of Admiral Callaghan Lane and Columbus Parkway. Before adjustment to Parcel 1, these comparables indicate a unit price from $8.03 to $12.83 per square foot.

After adjusting the comparables for various differences with Parcel 1, an adjusted unit value range from $10.43 to $10.67 per square foot is indicated. The greatest weight was placed on Land Sales 3, 4, 5 and 6 because they required the least amount of gross adjustments. In the final analysis, we have concluded a unit value of $10.50 per square foot for Parcel 1. The above-concluded price per square foot includes that all of the Northeast Quadrant Improvement District No. 2003-1 improvements have been completed.

As a result of the above information, we have concluded a value of $10.50 per square foot to be appropriate for Parcel 1. This yields a value conclusion for Parcel 1 of $3,210,000, calculated as follows:

305,356 s.f. x $10.50/s.f. =	$3,206,238
Rounded To:	**$3,210,000**

After concluding the value for Parcel 1, the most desirable parcel at the Subject Property, we next considered the individual values of the other commercial parcels (Parcels 2, 4, 5, 6, 7 and 8).

Parcel 2: After concluding a value of $10.50 for Parcel 1, we then considered the value of Parcel 2. Because Parcel 2 is located contiguous to Parcel 1, has corner influence, and is similar in size, no adjustments were made for physical characteristics; however, utility lines impact this property. As a result, we have made a downward adjustment for functional utility because no building structures can be built in the easement areas. As a result, Parcel 2 would sell for less on a price-per-square-foot basis. After a downward adjustment for functional utility, we have concluded a value of $9.75 per square foot for Parcel 2.

Parcel 4: We next compared Parcel 1 ($10.50/s.f.) to Parcel 4. In comparison, we believe the location of Parcel 1 is superior to that of Parcel 4 because it has greater commercial influence being located on Admiral Callaghan Lane and Columbus Parkway. Thus, a downward adjustment was made for location. Further, an additional downward adjustment was made for site size. Parcel 4 is larger than Parcel 1 and would sell for a lower price per square foot based on site size. After adjustments, Parcel 4 would sell for less than the concluded price per square foot of Parcel 1. After adjustments, we have concluded a value of $9.75 per square foot for Parcel 4.

Parcel 5: In comparing Parcel 1 to Parcel 5, we have made a large downward adjustment for location. The commercial influence is much superior at Parcel 1 due to its corner location and frontage along Admiral Callaghan Lane and Columbus Parkway. Additionally, a downward adjustment was made for site size because smaller sites tend to sell for a higher price per square foot. After adjustments, Parcel 5 would sell for less on a price-per-square-foot basis. We have concluded a price per square foot of $9.25 per square foot for Parcel 5.

Parcel 6: Comparing Parcel 1 to Parcel 6, again, we have made a large downward adjustment for location. This parcel is not located at an intersection with two major arterials or has a corner location. In contrast, an upward adjustment, however, was made for site size. Smaller sites would sell for more on a price-per-square-foot basis. After adjustments, an overall downward adjustment is warranted when compared to Parcel 1 ($10.50/s.f.) mainly due to inferior location. After adjustments, we have concluded $10.00 per square foot for Parcel 6.

Parcel 7: In comparing Parcel 1 to Parcel 7, a downward adjustment was made for location. Although this property has corner influence, the intersection is overall inferior when compared to that of the subject. A slight downward adjustment was made for location; however, a much larger downward location was made for site size because this parcel is much larger than Parcel 1. After adjustments, this parcel would sell for less on a price-per-square-foot basis when compared to Parcel 1. We have concluded $9.35 per square foot for Parcel 7.

Parcel 8: The concluded value for Parcel 8 is based on the pending purchase price of $8.97 per square foot. We believe this is a market transaction between both a willing buyer and a willing seller. As a result, we have used the pending purchase price as the estimated value for Parcel 8 ($8.97/s.f.).

Overall Commercial Land Value Conclusion

In conclusion, the estimated market value of each individual commercial site is estimated below:

Parcel	Net Site Size	$/S.F.	Value	Rounded
1	305,356 7.01	$10.50	$3,206,238	**$3,210,000**
2	341,510 7.84	$9.75	$3,329,723	**$3,330,000**
4	393,782 9.04	$9.75	$3,839,375	**$3,840,000**
5	359,370 8.25	$9.25	$3,324,173	**$3,320,000**
6	170,755 3.92	$10.00	$1,707,550	**$1,710,000**
7	476,111 10.93	$9.35	$4,451,638	**$4,450,000**
8	421,225 9.67	$8.97	$3,777,928	**$3,780,000**
Total:				**$23,640,000**

Residential

In addition to estimating the value of the commercial parcels, we also estimated the value of Parcel 3, the residential parcel. As previously described, the residential parcel will be developed with 133 individual lots and known as the Hyde Park subdivision. The Hyde Park subdivision has four basic floor plans ranging in size from 2,408 to 3,051 square feet. The overall average lot size within the Development is 4,448 square feet. Based on the subject's gross site area, the Development has a density of approximately 5. Also, we have been instructed to appraise the residential portion as if the final map has been approved by the City. Further, we have also assumed that the unit plans have been approved by the City.

In estimating the value of Parcel 3, we have considered two types of residential sales. Sales 1 through 4 represent "as is" land sales that have been purchased with tentative map approvals, an inferior level of entitlements when compared to Parcel 3. Sales 5 through 7 are sales of bulk finished lots selling to a single buyer in a single transaction. The Subject Property, under our valuation premise, would sell for less than Sales 5 through 7 because the level of site development is inferior. Adjustments for these two characteristics will be discussed in the subsequent sections.

A summary of these comparables is included in the table below, followed by a Location Map. Individual sales sheets are included in the Addendum of this appraisal. The comparables range in size from 2.73 to 23.45 acres with anywhere from 25 to 96 units permitted. Before adjustment to Parcel 3, they indicate a price-per-unit from $59,701 to $121,200. The price-per-square-foot for these sales range from $5.60 to $15.56 per square foot. The sales will be analyzed on a price-per-unit basis.

As previously discussed, Parcel 3 is traversed by a power line easement that would be considered a source of external obsolescence; however, the subject has a very superior view amenity which, in our opinion, more than offsets the presence of the easement.

LAND SALES SUMMARY

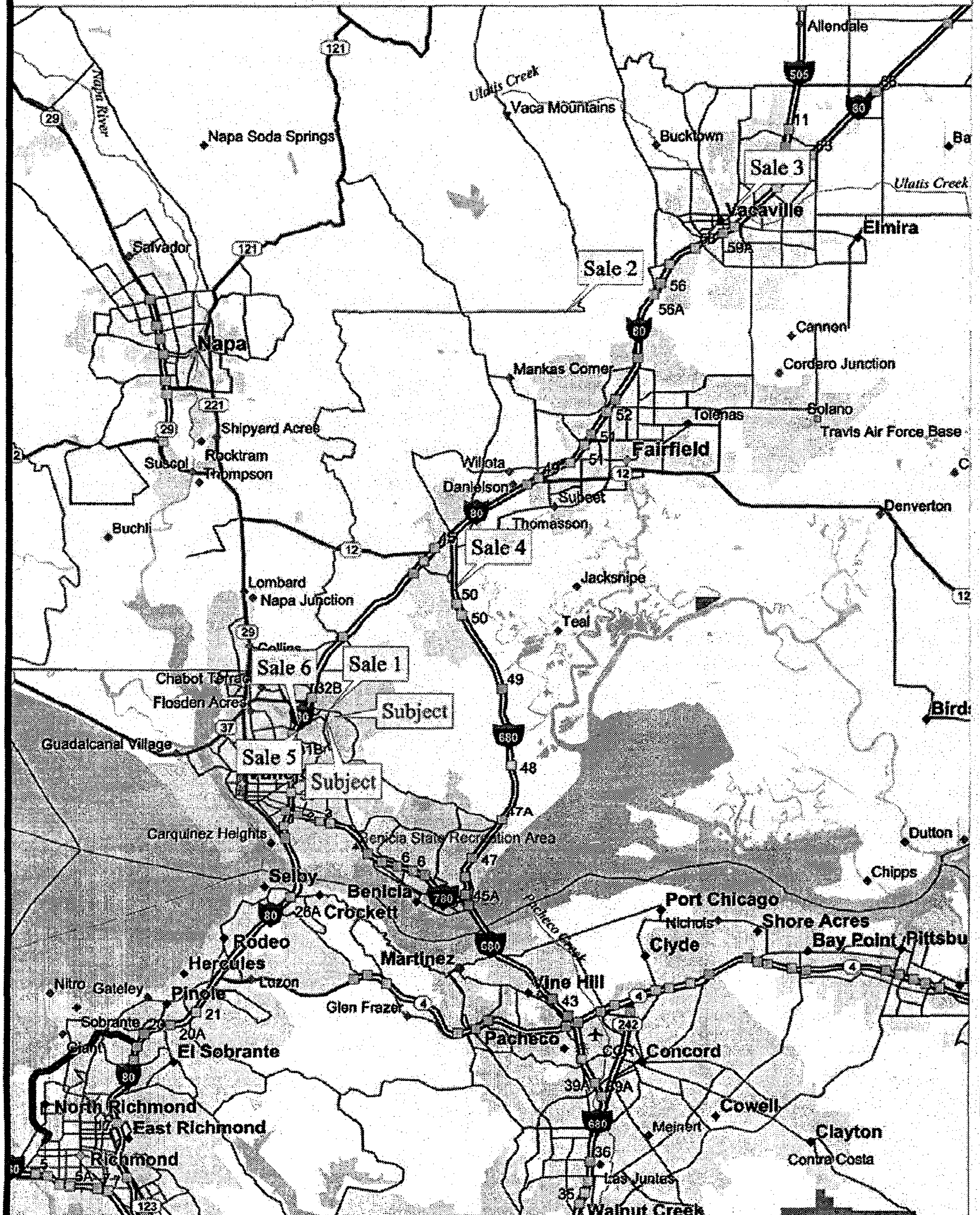
Sale No.	Location	Size (S.F.)	Sale Date	Sale Price	Price/ S.F.	Price/Unit	Use
1	Ascot Pkwy. Vallejo	458,686 10.53 Ac.	May-01	$4,000,000	$8.72	$59,701.49	Tentative map approval; 67 average 3,200 s.f. lots; density 6.4.
2	450 Mountain Meadows Fairfield	118,918 2.73Ac.	Jul-03	$1,654,993	$12.26	$66,199.72	Tentative map approval; 25 average 4,500 s.f. lots; density 8.0.
3	Vine St. at Markham St. Vacaville	645,995 14.83Ac.	Oct-02	$3,620,000	$5.60	$67,037.04	Tentative map approval; 54 average 4,500 s.f. lots; density 3.6.
4	Lopez Rd. and Silver Creek Rd. Fairfield	296,208 6.8 Ac.	Jun-03	$3,900,000	$13.17	$70,909.04	Tentative map approval; 55 average 3,500 s.f. lots; density 8.1.
5	319 Hiddenbrooke Pkwy. Vallejo	547,549 12.57 Ac.	Oct-02	$8,522,400	$15.56	$88,775.00	96 bulk finished average 3,500 s.f. lots; density 7.6.
6	Parcel 316-A Hiddenbrooke Vallejo	1,021,482 23.45 Ac.	Sep-02	$8,605,200	$8.42	$121,200.00	71 bulk finished average 3,600 s.f. lots; density 3.
7	Alder Creek Rd. Vallejo	705,672 16.2 Ac.	Mar-02	$8,400,000	$11.90	$120,000.00	70 bulk finished average 4,000 s.f. lots; density 4.3.
	<u>Subject:</u> Parcel 3 Vallejo	1,174,378 26.96 Ac.	--	--	--	--	Final map approval; 133 average 4,448 s.f. lots; density is 4.93; property also has unit plan approval.

Hulberg & Associates, Inc.

Residential Lane Sale Number 1, at $59,701 per unit, is located in the vicinity of the Northgate Specific Plan Area of Vallejo, and consists of 10.53 acres purchased with tentative map approval for the development of a 67-lot, single-family residential subdivision. Average lot size in the subdivision will be 3,200 square feet. The property was originally purchased by Duc Housing Partners in 1995 for $1 million without entitlements. Duc processed the tentative map and then resold the property to Richmond American Homes. The property was purchased in an all-cash transaction.

The site is essentially level, but upgrade of Columbus Parkway, with primary access from Hillary Way. The property has access to all municipal utilities. Homes subsequently built on the site will be subject to Mello-Roos fees as are all new projects within the Northgate PRC. Site development costs are estimated at between $30,000 and $35,000 per lot.

Residential Land Sale Map



LAND SALE ADJUSTMENT GRID

COMPARABLE SALES	1	2	3	4	5	6	7
DATE OF SALE	May-01	Jul-03	Oct-02	Jun-03	Oct-02	Sep-02	Mar-02
SALE PRICE	$4,000,000	$1,654,993	$3,620,000	$3,900,000	$8,522,400	$8,605,200	$8,400,000
UNITS	67	25	54	55	96	71	70
PRICE/UNIT	$59,701.49	$66,199.72	$67,037.04	$70,909.09	$88,775.00	$121,200.00	$120,000.00
ADJUSTMENTS							
Financing	$0	$0	$0	$0	$0	$0	$0
Conditions of Sale	$0	$0	$0	$0	$0	$0	$0
NORMAL SALE PRICE	$4,000,000	$1,654,993	$3,620,000	$3,900,000	$8,522,400	$8,605,200	$8,400,000
TIME ADJUSTMENT							
Months Since Sale	30	4	13	5	13	14	20
Total Adjustment	8.0%	1.0%	3.0%	1.0%	3.0%	4.0%	5.0%
Dollar Adjustment	$320,000	$16,550	$108,600	$39,000	$255,672	$344,208	$420,000
TIME ADJ PRICE	$4,320,000	$1,671,543	$3,728,600	$3,939,000	$8,778,072	$8,949,408	$8,820,000
LOCATION	5.0%	5.0%	5.0%	5.0%	0.0%	-10.0%	0.0%
SIZE/RISK	0.0%	-15.0%	0.0%	0.0%	0.0%	0.0%	0.0%
APPROVAL/ENTITLEMENTS	10.0%	10.0%	10.0%	10.0%	0.0%	0.0%	0.0%
SITE COSTS	0.0%	0.0%	0.0%	0.0%	-35.0%	-35.0%	-35.0%
UNIT SIZE	10.0%	0.0%	0.0%	10.0%	10.0%	10.0%	5.0%
ADDITIONAL FEES/BMR'S	0.0%	10.0%	0.0%	10.0%	10.0%	10.0%	10.0%
TOTAL % ADJUSTMENT	25.0%	10.0%	15.0%	35.0%	-15.0%	-25.0%	-20.0%
	$1,080,000	$167,154	$559,290	$1,378,650	($1,316,711)	($2,237,352)	($1,764,000)
DEMOLITION COSTS	$0	$0	$0	$0	$0	$0	$0
CONTRIBUTORY IMP. VALUE	$0	$0	$0	$0	$0	$0	$0
TOTAL $ ADJUSTMENT	$0	$0	$0	$0	$0	$0	$0
INDICATED VALUE	$5,400,000	$1,838,697	$4,287,890	$5,317,650	$7,461,361	$6,712,056	$7,056,000
INDICATED PRICE PER SQFT	$80,597.01	$73,547.89	$79,405.37	$96,684.55	$77,722.51	$94,536.00	$100,800.00

Hulberg & Associates, Inc.

In comparison, an upward adjustment was made for market conditions which have improved over the last 30 months for residential housing. Additionally, upward adjustments were made for location and the subject's larger unit size. Additionally, we made an upward adjustment of 10 percent for approvals/entitlements because the Subject Property is beyond the tentative map stage and assumed to have final map and unit plan approvals. Consequently, all of these sales, Sales 1, 2, 3 and 4 have all been adjusted upwards by 10 percent for entitlements. After adjustments, Parcel 3 would sell for a higher price per unit.

Residential Land Sale Number 2, at $66,200 per unit, is the site of the proposed "The Oaks at Creekside" subdivision to be built by The O'Brian Group in Fairfield. The project will contain 25 single-family detached homes, three of which will be BMR units. Lots in the subdivision will range in size from 3,338 to 5,613 square feet. Site development costs, including fees, average $60,544 per lot. The property was purchased with tentative subdivision map approval.

In comparison, an upward adjustment was made for market conditions. Further, we have also made upward adjustments for location and entitlements; however, a significantly large downward adjustment was made for the much smaller size of this project. Overall, there is less risk associated with smaller residential developments. In contrast, an upward adjustment was made for the low income housing requirement of this comparable.

Residential Land Sale Number 3, at $67,037 per unit, was purchased with tentative subdivision map approval to develop 54 minimum 4,500 square foot single-family lots. The developer is Pavilion Homes. The proposed project will be marketed under the name "Villages on Vine," Villages 1 and 2. Village 1 will consist of 29 homes ranging in size from

2,337 to 3,062 square feet, with four different floor plans. Village 2 will consist of 25 homes ranging in size from 1,624 to 2,383 square feet, with three different floor plans. At the time of our inspection, the sites were still vacant, although construction is scheduled to being in 2003.

The property has access to all municipal utilities. The property was purchased in a cash-to-seller transaction. According to the broker, the marketing time was six months. There were reportedly no assessment bonds assumed with this property. Development financing is through Bank of America. Site development costs are estimated at $40,000 to $50,000 per lot.

In comparison, an upward adjustment was made for market conditions which have improved over the last 13 months. Further, an upward adjustment was made for entitlements because Parcel 3 is assumed to have final map and unit plan approvals. After adjustments, Parcel 3 would sell for a higher price per unit.

Residential Land Sale Number 4, at $70,909 per unit, is proposed to be developed as the "Parkview" subdivision of 55 single-family homes, 49 of which are to be market rate homes and six of which will be affordable units. Site development costs are $2,239,955, or $40,727 per unit. Average lot size in the subdivision is 3,500 square feet. The site is traversed by a PG&E tower line easement and experiences traffic noise from Interstate 680 that parallels Lopes Road and borders the sale property.

In comparison, an upward adjustment was made for location because Parcel 3 has superior surrounding demographics. Further, an upward adjustment was made for entitlements and its larger unit size. Lastly, an upward adjustment was made for the low income housing requirement at this comparable. After adjustments, Parcel 3 would sell for more on a price-per-unit basis.

Residential Land Sale Number 5, at $88,775 per unit, is the site of Pacific Mountain Partners' "Fairway Villas" subdivision located within the Hiddenbrooke master-planned community. Average lot size in the subdivision is 3,500 square feet. As with all Hiddenbrooke properties, Sale 2 is subject to annual Mello-Roos fees of $3,600 per lot per year, which is attached to the property tax bill. Many developers are buying this amount down by 50 percent to stimulate sales. Fairway Villas contains 96 lots, and the project is scheduled to pen by the end of October 2003. There are 100 names on the waiting list for homes sized from 1,981 to 2,244 square feet and prices projected in the $400,000 to $500,000 price range.

In comparison, an upward adjustment made for market conditions which have improved since this sale date. Additional upward adjustments were necessary for the larger unit size at the Subject Property, as well as the higher amount of assessment bond fees at this comparable. In contrast, a significantly larger downward adjustment is necessary for the superior site development costs because these are finished lot sales. After adjustments, Parcel 3 would sell for less on a price-per-unit basis.

Residential Land Sale Number 6, at $121,200 per lot, is under contract of sale to Taylor Woodrow Homes, Inc. The contract date is September 19, 2002. The property will be delivered to Taylor Woodrow as 71 finished single-family residential lots, 70 of which will be average 3,600 square foot production homes lots. The remainder parcel will be a large custom-view lot. The average price for the production home lot is $120,750. The price of the custom lot is $152,700. The overall average lot price is $121,200. The two combined parcels have a gross site area of 23.45 acres. The properties are contiguous and are situated along the westerly side of Hiddenbrooke Parkway at Country Club Drive, and have an exceptional view overlooking the Hiddenbrooke Golf Course. The development area of the site is a plateau situated above grade of Hiddenbrooke Parkway.

In comparison, an upward adjustment was made for market conditions which have improved since this sale date. Additional upward adjustments were required for the higher level of assessment bonds, as well as smaller unit size. Although upward adjustments were made for unit size and fees, larger downward adjustments are indicated for location, as well as site development costs, which are both superior when compared to the Subject Property. After adjustments, the subject would sell for less on a price-per-unit basis.

Residential Land Sale Number 7, at $120,000 per unit, is the site of Hertel's "The Orchards" subdivision of 70 average 4,000 square foot lots within Hiddenbrooke. The subdivision is designated as a private enclave surrounded by open space with a single-entry point at Alder Creek Road. An additional component of the sale is a Profit Participation Agreement. In addition to the lot purchase, Triad is entitled to a portion of the profits received from the sale of the subsequently built residences, not to exceed in the aggregate $4,000 per lot per home.

In comparison, an upward adjustment was made for market conditions which have improved since this sale date. Additional upward adjustments were made for unit size and assessment fees which are higher than the Subject Property. Although upward adjustments are indicated, a larger overall downward adjustment is required for site development costs which are superior to the subject because this is a bulk finished lot sale. After adjustments, Parcel 3 would sell for less on a price-per-unit basis.

Residential Land Value Conclusion (Parcel 3)

In summary, we have presented seven residential land sales for consideration in estimating the value of the residential parcel. Sales 1 through 4 represent residential sales of parcels with tentative map approval. The Subject Property would sell for more than all of these sales because we have assumed final map and final unit plan approvals. Additionally, we included three sales of bulk finished lots that had a range from $88,775 to $121,200 per unit. The Subject Property would sell for less on an overall unit basis because the level of site development is superior to that of the subject. Consequently, Parcel 3 would sell somewhere between Sales 1 through 4 and Sales 5 through 7.

Prior to adjustments to the Subject Property, the comparables indicate a unit price from $59,701 to $120,000 per unit. After adjusting the comparables for various differences with the Subject Property, an adjusted unit value range from $73,547.89 to $100,800 per unit is indicated. Weight was given to all of the land sales because they bracket the level of development assumed for the subject. In final analysis, we have concluded a unit value of $80,000 per unit.

In conclusion, the estimated market value of Parcel 3 is estimated at $10,640,000.

133 Units x $80,000/Unit = $10,640,000

Land Value Conclusion (Overall)

In summary, we have indicated concluded values for each parcel. The aggregate value is $34,280,000 for the eight parcels. The individual values are summarized below:

Parcel	Net Site Size	$/S.F.	Value	Rounded
1	305,356 7.01	$10.50	$3,206,238	**$3,210,000**
2	341,510 7.84	$9.75	$3,329,723	**$3,330,000**
4	393,782 9.04	$9.75	$3,839,375	**$3,840,000**
5	359,370 8.25	$9.25	$3,324,173	**$3,320,000**
6	170,755 3.92	$10.00	$1,707,550	**$1,710,000**
7	476,111 10.93	$9.35	$4,451,638	**$4,450,000**
8	421,225 9.67	$8.97	$3,777,928	**$3,780,000**
				$23,640,000

Parcel	Units	$/Unit	Value	
3	133	$80,000	$10,640,000	$10,640,000
Total:				**$34,280,000**

STATEMENT OF VALUE

Based upon our research and analysis, subject to the Limiting Conditions and Assumptions contained in the report, and an exposure time of six months, the estimated value of the fee simple interest in the Subject Property as of November 15, 2003, is:

THIRTY-FOUR MILLION TWO HUNDRED EIGHTY THOUSAND DOLLARS

($34,280,000)

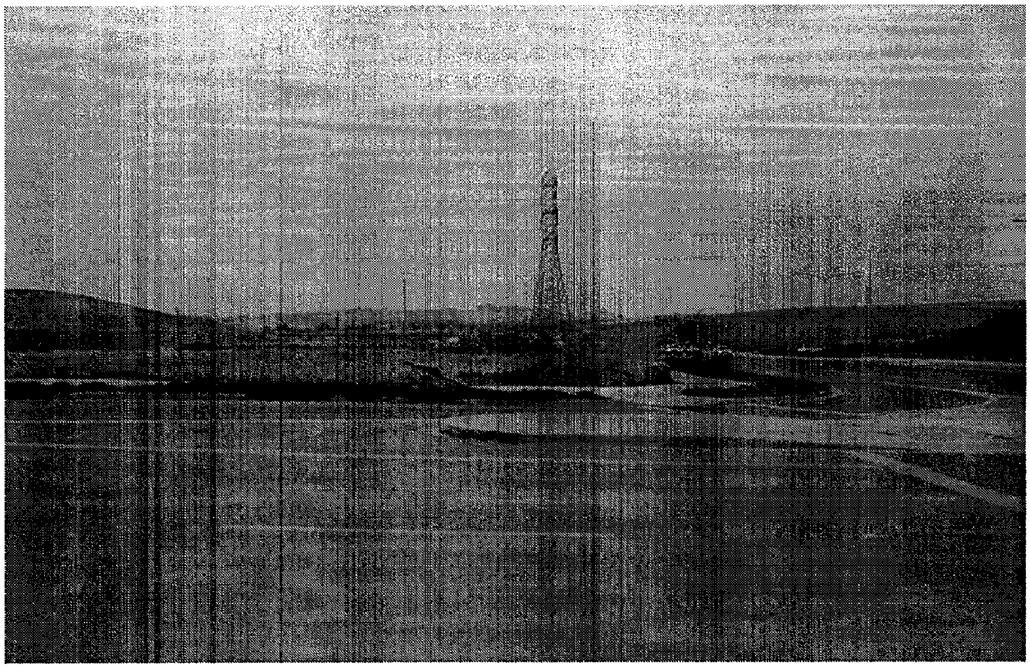
EXPOSURE PERIOD

The value estimate of this report is predicated on a hypothetical sale of the Subject Property as of the effective date of valuation. Integral to this estimate of value is an assumption about the length of time the property would have to be exposed to the market in order to achieve a sale. Exposure time is a retrospective estimate that proceeds the effective date of valuation. Marketing period is an estimate of the time, which would be required to achieve a sale of the property at some future date.

Exposure times for the sale comparables cited in this report were considered in order to derive a reasonable estimate for the subject. Exposure times of three to six months, and often less, have been typical in the past. Therefore, the value conclusion of this report is based upon an estimated exposure time for the Subject Property of six months.

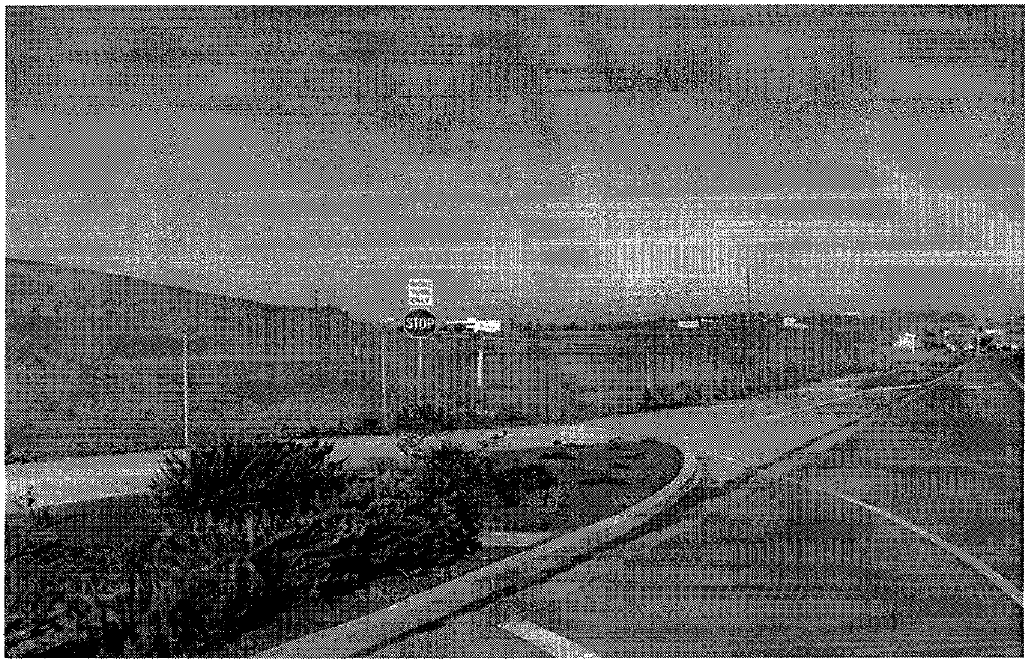
ADDENDUM

PHOTOGRAPHS OF SUBJECT PROPERTY

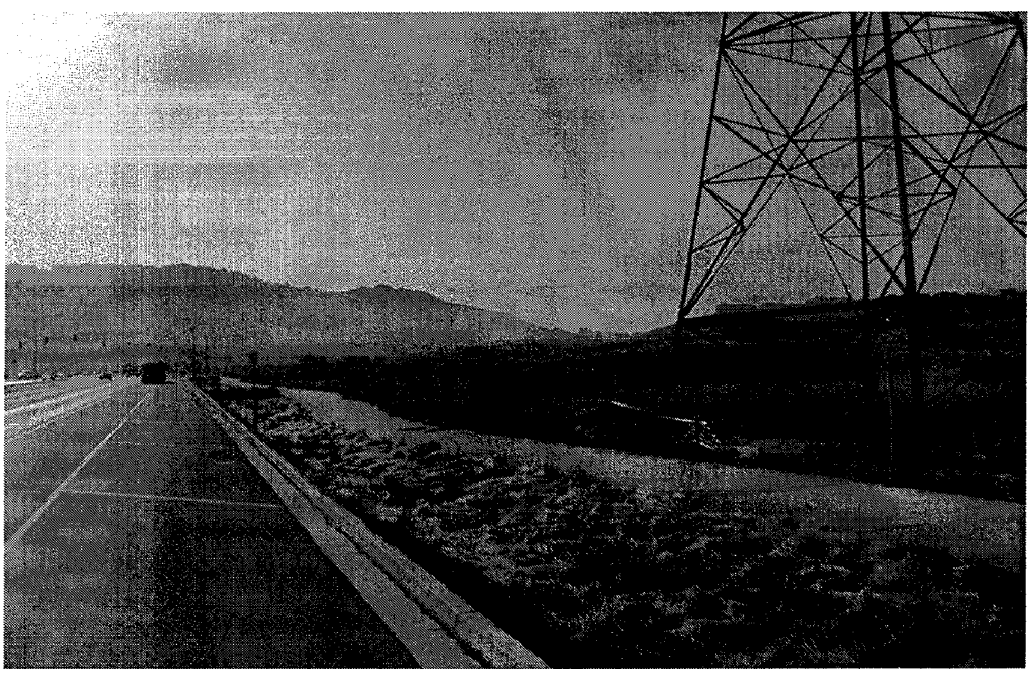


1. View of Parcels 1 & 2 at Columbus Pkwy and Ascot Pkwy.

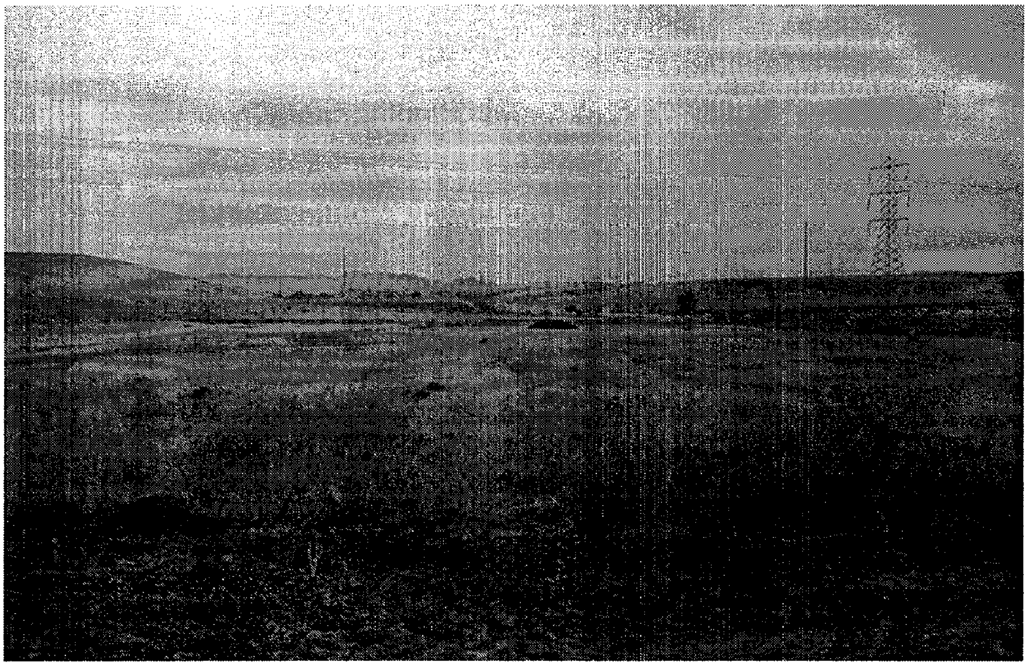
2. View of Columbus Pkwy looking west. Parcels 1 & 2 at left.



3. View of driveway between Parcels 1 & 2.



4. View of Parcel 2, including transmission tower.

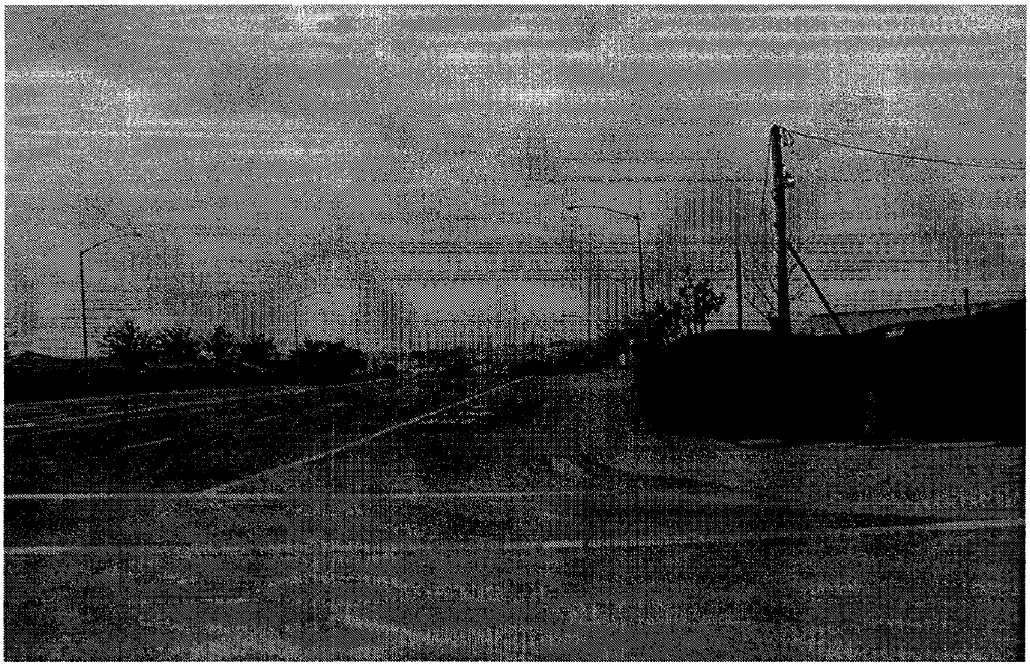


5. View of Parcels 1 & 2.

6. View of Parcel 3.

7. View of transmission tower on Parcel 3.

8. View of Parcel 4 from Turner Pkwy.



9. View of Turner Pkwy, Parcel 4 at right.

10. View of future Ascot Pkwy from Turner Pkwy.

11. View of Parcel 5.

12. View of Parcel 6.

13. View of Parcel 7.

14. View of Columbus Pkwy, Parcels 7 & 8 at left.

15. View of Parcel 8.

PRELIMINARY TITLE REPORT

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FRONTIER TITLE COMPANY
1499 OLIVER ROAD • FAIRFIELD, CA • 94534 • (707) 427-5400 • Fax: (707) 425-1393

PRELIMINARY REPORT

FIRST UPDATE

Issued for the sole use of:

NORTHGATE BUSINESS PARK, LLC
6545 SUNRISE BLVD., SUITE 300
CITRUS HEIGHTS, California 95610

Attention: GARY MANDARICH

Our Order No. 702133

Reference

When Replying Please Contact:

Sylvia Sandford (707) 427-5400

Property Address: NORTHGATE BUSINESS PARK, Vallejo, CA

In response to the above referenced application for a policy of title insurance, FRONTIER TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies may be set forth in Exhibit A attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.
It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of October 7th, 2003, at 7:30 A.M.

FRONTIER TITLE COMPANY

Frank E. Tuitzel

For Exceptions Shown or Referred to, See Attached

The form of policy of title insurance contemplated by this report is:

an ALTA Loan Policy. A specific request should be made if another form or additional coverage is desired.

The estate or interest in the land hereinafter described or referred to covered by this Report is:

a FEE.

Title to said estate or interest at the date hereof is vested in:

NORTHGATE BUSINESS PARK, LLC, a California Limited Liability Company

The land referred to in this Report is situated in the County of Solano, City of Vallejo
State of California, and is described as follows:

PARCELS 1 THRU 8, INCLUSIVE AND A, B AND C, AS SHOWN ON THAT CERTAIN MAP FILED IN THE OFFICE OF THE COUNTY RECORDER, SOLANO COUNTY, ON JULY 30, 2003, IN BOOK 44 OF PARCEL MAPS, PAGE 69.

APNS: 81-800-060, AS TO A PORTION OF PARCELS 3, 4 AND A
81-800-070, AS TO PARCEL 1 AND A PORTION OF PARCEL 2
81-800-080, AS TO THE REMAINDER OF PARCEL 2
81-800-090, AS TO A PORTION OF PARCELS 3 AND A
81-800-100, AS TO A PORTION OF PARCEL 3
81-800-110, AS TO A PORTION OF PARCELS 3 AND A
81-800-120, AS TO A PORTION OF PARCEL 3
81-800-130, AS TO A PORTION OF PARCELS 3 & 4 AND REMAINDER OF PARCEL A
81-800-140, AS TO A PORTION OF PARCEL 3
81-800-150, AS TO A PORTION OF PARCELS 3 & 4
81-800-160, AS TO A PORTION OF PARCELS 3 & 4
81-800-170, AS TO THE REMAINDER OF PARCELS 3 & 4
81-800-190, AS TO A PORTION OF PARCELS 5, 6, 7, 8 & C AND ALL OF PARCEL B
81-800-200, AS TO THE REMAINDER OF PARCELS 5 & C AND A PORTION OF PARCEL 6
81-800-210, AS TO THE REMAINDER OF PARCEL 6 AND A PORTION OF PARCEL 7
81-800-230, AS TO THE REMAINDER OF PARCELS 7 & 8

At the date hereof exceptions to coverage in addition to the Exceptions and Exclusions in said policy form would be as follows:

1. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-060		
Code No.	: 7013		
1st Installment	: $	471.27	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	471.27	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	0.00	

The above Tax amounts include $469.25 per installment for N.E. Quardrant Landscape Maintenance District.
The above Tax amounts include $ 2.02 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcels 3, 4 and A.

2. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-070		
Code No.	: 7013		
1st Installment	: $	23,168.39	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	23,168.39	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	2,645,284.00	

The above Tax amounts include $1,099.42 per installment for Bond No. 8729.
The above Tax amounts include $6,478.30 per installment for Bond No. 8732.
The above Tax amounts include $ 458.96 per installment for N.E. Quadrant Landscape Maintenance District.

The above Tax amounts include $ 2.02 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to to Parcel 1 and a portion of Parcel 2.

3. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-080		
Code No.	: 7013		
1st Installment	: $	13,322.71	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	13,322.71	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	1,039,230.00	

The above Tax amounts include $ 437.03 per installment for Bond No. 8729.
The above Tax amounts include $2,551.41 per installment for Bond No. 8732.
The above Tax amounts include $ 180.41 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $4,210.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to the remainder of Parcel 2.

4. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-090		
Code No.	: 7013		
1st Installment	: $	900.00	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	900.00	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	0.00	

The above Tax amounts include $900.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcels 3 and A.

5. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-100		
Code No.	: 7013		
1st Installment	: $	7,496.15	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	7,496.15	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	436,013.00	

The above Tax amounts include $ 486.88 per installment for Bond No. 8729.
The above Tax amounts include $2,846.96 per installment for Bond No. 8732.
The above Tax amounts include $ 68.56 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $1,600.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcel 3.

6. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-110		
Code No.	: 7013		
1st Installment	: $	16,283.51	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	16,283.51	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	948,000.00	

The above Tax amounts include $1,049.57 per installment for Bond No. 8729.
The above Tax amounts include $6,182.74 per installment for Bond 8732.
The above Tax amounts include $ 149.13 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $3,480.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcels 3 and A.

7. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-120		
Code No.	: 7013		
1st Installment	: $	200.00	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	200.00	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	0.00	

The above Tax amounts include $200.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcel 3.

8. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-130		
Code No.	: 7013		
1st Installment	: $	40,235.14	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	40,235.14	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	1,888,853.00	

The above Tax amounts include $ 2,081.73 per installment for Bond No. 8729.
The above Tax amounts include $12,301.75 per installment for Bond No. 8732.
The above Tax amounts include $ 618.38 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $14,430.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcels 3 & 4 and remainder of Parcel A.

9. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-140		
Code No.	: 7013		
1st Installment	: $	4,026.21	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	4,026.21	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	187,917.00	

The above Tax amounts include $ 214.93 per installment for Bond No. 8729.
The above Tax amounts include $1,234.81 per installment for Bond No. 8732.
The above Tax amounts include $ 61.70 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $1,440.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcel 3.

10. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-150		
Code No.	: 7013		
1st Installment	: $	1,074.13	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	1,074.13	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	0.00	

The above Tax amounts include $ 44.13 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $1,030.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcels 3 & 4.

11. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-160		
Code No.	: 7013		
1st Installment	: $	3,889.84	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	3,889.84	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	0.00	

The above Tax amounts include $ 159.84 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $3,730.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcels 3 & 4.

12. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-170		
Code No.	: 7013		
1st Installment	: $	29,973.36	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	29,973.36	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	1,107,570.00	

The above Tax amounts include $ 2,288.67 per installment for Bond No. 8729.
The above Tax amounts include $13,528.57 per installment for Bond No. 8732.
The above Tax amounts include $ 321.40 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $ 7,500.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to the remainder of Parcels 3 & 4.

13. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-190		
Code No.	: 7013		
1st Installment	: $	12,545.53	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	12,545.53	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	0.00	

The above Tax amounts include $ 515.53 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $12,030.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to a portion of Parcels 5, 6, 7, 8 & C and all of Parcel B.

14. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-200		
Code No.	: 7013		
1st Installment	: $	17,393.70	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	17,393.70	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	1,107,570.00	

The above Tax amounts include $2,111.30 per installment for Bond No. 8729.
The above Tax amounts include $ 367.68 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $8,580.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to the remainder of Parcels 5 & C and a portion of Parcel 6.

15. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-210		
Code No.	: 7013		
1st Installment	: $	10,023.37	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $	10,023.37	Due February 1, 2004 Delinquent April 10, 2004
Land	: $	738,313.00	

The above Tax amounts include $1,410.20 per installment for Bond No. 8729.
The above Tax amounts include $ 180.41 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $4,210.00 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to the remainder of Parcel 6 and a portion of Parcel 7.

16. Taxes and assessments, general and special, for the fiscal year 2003-2004, as follows:

Assessor's Parcel No.	: 81-800-230	
Code No.	: 7013	
1st Installment	: $ 14,934.41	Due November 1, 2003 Delinquent December 10, 2003
2nd Installment	: $ 14,934.41	Due February 1, 2004 Delinquent April 10, 2004
Land	: $ 1,845,884.00	

The above Tax amounts include $3,513.51 per installment for Bond No. 8729.
The above Tax amounts include $ 861.36 per installment for N.E. Quadrant Landscape Maintenance District.
The above Tax amounts include $ 2.02 per installment for Vallejo USD Mello Roos No. 2.

Said Taxes and Assessments are assessed to the remainder of Parcels 7 & 8.

17. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Section 75, et seq., of the Revenue and Taxation Code of the State of California.

18. Assessment included with taxes, as follows:

For: NORTHEAST QUADRANT ASSESSMENT DISTRICT NO. 64

ASSESSMENT NO.	ORIGINAL AMOUNT	AFFECTS
81-800-070	$ 130,462.14	PARCEL 1 & PORTION PARCEL 2
81-800-080	51,283.44	REMAINDER OF PARCEL 2
81-800-100	57,242.70	PORTION OF PARCEL 3
81-800-110	124,502.87	PORTION OF PARCEL 3 & A
81-800-130	247,881.71	PORTION PARCELS 3, 4 & A
81-800-140	24,736.64	PORTION PARCEL 3
81-800-170	272,618.36	PORTION PARCELS 3 & 4

All payable in 44 installments with the real property taxes beginning with the fiscal year 1988 - 1989.

NOTE: When paying in full, refer also to "Bond No. 8732," "Series No.______ ," and "Tax Parcel No." as applicable.

NOTE: Further information may be obtained by contacting:

MUNI FINANCIAL
28765 SINGLE OAK DRIVE, SUITE 200
TEMECULA, CA 92590
TELEPHONE: (800) 755-6864

19. Assessment included with taxes, as follows:

For: NORTHEAST QUADRANT ASSESSMENT NO. 58 REASSESSMENT REFUNDING 86

ASSESSMENT NO.	ORIGINAL AMOUNT	AFFECTS
81-800-070	$ 22,358.31	PARCEL 1 & PORTION PARCEL 2
81-800-080	8,788.84	REMAINDER PARCEL 2
81-800-100	9,810.12	PORTION OF PARCEL 3
81-800-110	21,337.02	PORTION OF PARCEL 3
81-800-130	42,481.41	PORTION PARCELS 3, 4 AND A
81-800-140	4,239.31	PORTION PARCEL 3
81-800-170	46,720.72	REMAINDER PARCELS 3 & 4
81-800-200	43,087.37	REMAINDER PARCELS 5 AND C, PORTION PARCEL 6
81-800-210	28,724.91	REMAINDER PARCEL 6 AND PORTION PARCEL 7
81-800-230	71,812.26	REMAINDER PARCELS 7 & 8

All payable in 50 installments with the real property taxes beginning with the fiscal year 1985 - 1986.

NOTE: When paying in full, refer also to "Bond No. 8729," "Series No.______ ," and "Tax Parcel No." as applicable.

NOTE: Further information may be obtained by contacting:

MUNI FINANCIAL
28765 SINGLE OAK DRIVE, SUITE 200
TEMECULA, CA 92590
TELEPHONE: (800) 755-6864

20. Municipal Service Charges in favor of the City of Vallejo, if any. For charges call (707) 552-3110.

21. The herein described property lies within the boundaries of the VALLEJO SANITATION AND FLOOD CONTROL DISTRICT and is, therefore, subject to taxes and assessments thereof. For charges call (707) 648-4346.

22. The herein described property lies within the boundaries of the NORTHEAST QUADRANT TRUNK & SEWER DISTRICT and is, therefore, subject to taxes and assessments thereof. Said taxes are collected and payable with the County taxes.

23. Special tax for Vallejo City Unified School District Community Facilities District No. 2

Yearly Installments	: $280.00 per year per 1000 square feet of building area on residential units and shall increase annually by 3% beginning the first fiscal year following the issuance of the first building permit
Disclosed By	: Notice of Special Tax Lien recorded May 17, 1989, Series No. 890031397 and Supplemental Notice of Special Tax Lien recorded August 10, 1990, Series No. 900063538
Adopted By	: The Governing Board of Vallejo City Unified School District
Type of Improvements	: School and support facilities
Term	: Payable annually until entire district is discharged
All Amounts Paid to	: County Tax Collector with secured property taxes

NOTE: FURTHER INFORMATION MAY BE OBTAINED BY CONTACTING:
The Vallejo Unified School District, Attn: Ethan Browning, (707) 644-8921

24. SPECIAL IMPROVEMENT LEVY LIEN: NORTHEAST QUADRANT IMPROVEMENT DISTRICT NO. 2003-1

Yearly Installments	: Maximum amounts-$25,986.23 as to Parcel 1; $29,063.06 as to Parcel 2; $240,654.28 as to Parcel 3; $104,455.51 as to Parcel 4; $90,423.88 as to Parcel 5; $36,151.70 as to Parcel 6; $127,670.49 as to Parcel 7; and $181,594.85 as to Parcel 8
Disclosed by	: Notice of Special Improvement Levy Lien: Northeast Quadrant Improvement District No. 2003-1 recorded September 9, 2003, as Series No. 200300152766
Term	: Payable annually until entire district is discharged
All amounts paid to	: County Tax Collector with secured property taxes

25. The herein described land is within the NORTHGATE AREA BENEFIT DISTRICT NO. 93-1, City of Vallejo, Resolution No. 93-215 N.C., adopted May 11, 1993, recorded May 19, 1993, Series No. 1993-00044646, and as modified by Resolution No. 97-428 N.C., recorded November 19, 1997, as Series No. 1997-00078871, Solano County Records. The amounts of such assessment are not available at this time.

26. The herein described land is within the NORTHGATE AREA FEE DISTRICT NO. 94-1, City of Vallejo, Resolution No. 94-180 N.C., adopted April 26, 1994, recorded May 23, 1994, Series No. 1994-00051467. The amounts of such assessment are not available at this time.

27. The herein described land is within the SKY VALLEY IMPROVEMENT BENEFIT DISTRICT NO. 95-1, upon the terms and provisions contained therein by RESOLUTION NO. 95-448 of the City Council of the City of Vallejo, dated April 4, 1995, and recorded December 4, 1995, as Series No. 1995-00076573, Solano County Records.

28. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following

Instrument : FINAL ORDER OF CONDEMNATION
Granted to : PACIFIC GAS & ELECTRIC COMPANY, a corporation
For : ELECTRIC TRANSMISSIONS & TELEPHONE LINES
Recorded : December 30th, 1946 in Book 360, Page 103, Series 18052
Affects : A 75' WIDE STRIP OVER A PORTION OF PARCELS 2, 3 & 4

NOTE: Said easement is also shown on the map filed on July 30th, 2003, in Book 44 of Parcel Maps, at Page 69.

29. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following

Instrument : EASEMENT AGREEMENT
Granted to : SCHULER HOMES OF CALIFORNIA, INC., a California corporation
For : EMERGENCY DISSIPATOR, SHEET FLOW EASEMENT AND PERMANENT STORM DRAIN EASEMENT
Recorded : April 5th, 1999 in Official Records, Series No. 1999-00029228
Affects : THE EASTERLY PORTION OF PARCELS 5, B AND C

NOTE: Said easement is also shown on the map filed on July 30th, 2003, in Book 44 of Parcel Maps, at Page 66

30. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following

Instrument : GRANT OF EASEMENT
Granted to : CITY OF VALLEJO, a Municipal Corporation
For : PUBLIC UTILITY EASEMENT
Recorded : March 26th, 2002 in Official Records, Series No. 2002-00037757
Affects : A 10' WIDE STRIP ADJACENT TO ADMIRAL CALLAGHAN LANE WITHIN PARCEL 1

NOTE: Said easement is also shown on the map filed on July 30th, 2003, in Book 44 of Parcel Maps, at Page 69.

31. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following

Instrument : ESEMENT AGREEMENT
Granted to : URBAN LAND COMPANY, a California corporation formerly known as NDS DEVELOPMENT CORPORATION, a California corporation
For : GRADING AND RELATED WORK
Recorded : August 14th, 2002 in Official Records, Series No. 2002-00101458
Affects : PARCEL A

NOTE: Said easement is also shown on the map filed on July 30th, 2003 in Book 44 of Parcel Maps, at Page 69

32. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following

Instrument	:	EASEMENT DEED
Granted to	:	PACIFIC GAS & ELECTRIC COMPANY
For	:	GAS PIPELINES, INGRESS TO AND EGRESS FROM AND ALL FIXTURES
Recorded	:	November 26th, 2002 in Official Records, Series No. 2002-00154331
Affects	:	THE NORTHERLY 5' OF PARCEL 1

NOTE: Said easement is also shown on the map filed on July 30th, 2003, in Book 44 of Parcel Maps, at Page 69.

33. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following

Instrument	:	GRANT DEED AND GRANT OF EASEMENT FROM NORTHGATE, LLC TO THE CITY OF VALLEJO FOR A PORTION AT TURNER AND ASCOT PARKWAYS
Granted to	:	CITY OF VALLEJO, a Municipal Corporation
For	:	PUBLIC UTILITY EASEMENT
Recorded	:	December 2nd, 2002 in Official Records, Series No. 2002-00156952
Affects	:	THE SOUTHERLY 6' OF PARCEL 4

NOTE: Said easement is also shown on the map filed on July 30th, 2003, in Book 44 of Parcel Maps, at Page 69

34. Construction Deed of Trust to secure an indebtedness of the amount stated below and any other amounts payable under the terms thereof,

Amount	:	$6,000,000.00
Trustor/Borrower	:	NORTHGATE BUSINESS PARK, LLC, a California Limited Liability Company
Trustee	:	UNITED SERVICE CORPORATION, a California Corporation
Beneficiary/Lender	:	UNITED COMMERCIAL BANK, a California Banking Corporation
Dated	:	December 26th, 2002
Recorded	:	December 31st, 2002 in Official Records Series No. 2002-00172923
Loan No	:	485000364-0
Returned to Address	:	UNITED COMMERCIAL BANK, 711 VAN NESS AVENUE, SAN FRANCISCO, CALIFORNIA 94102, ATTN: CONSTRUCTION LENDING DEPARTMENT

Affects Parcels 1, 2, 3, 4 and A.

Substitution of Trustee under said Deed of Trust,

Executed by	:	UNITED COMMERCIAL BANK, a California Banking corporation
New Trustee	:	U.F. SERVICE CORPORATION, a California corporation
Dated	:	June 9th, 2003
Recorded	:	June 12th, 2003 in Official Records, Series No. 200300095839
New Trustee's No	:	NONE SHOWN
Returned to Address	:	UNITED COMMERCIAL BANK, 711 VAN NESS AVENUE, SAN FRANCISCO, CA 94102

35. A financing statement given as additional security for the payment of the indebtedness secured by the deed of trust,

Shown as	:	2002-00172923
Debtor	:	NORTHGATE BUSINESS PARK, LLC, a California Limited Liability Company
Secured Party	:	UNITED COMMERCIAL BANK
Recorded	:	December 31st, 2002 in Official Records, Series No. 2002-00172924
Returned to Address	:	UNITED COMMERCIAL BANK, 711 VAN NESS AVENUE, SAN FRANCISCO, CALIFORNIA 94102, ATN: CONSTRUCTION LENDING

An amendment to the above was

Recorded	:	June 18th, 2003 in Official Records, Series No. 200300098179
Returned to Address	:	UNITED COMMERCIAL BANK, 711 VAN NESS AVNEUE, SAN FRANCISCO, CA 94102, ATTN: CONSTRUCTION LENDING DIVISION
Nature of Change	:	CONTINUATION

36. Deed of Trust to secure an indebtedness of the amount stated below and any other amounts payable under the terms thereof,

Amount	:	$2,200,000.00
Trustor/Borrower	:	NORTHGATE BUSINESS PARK, LLC, a California limited liability company
Trustee	:	FIRST AMERICAN TITLE GURARANTY COMPANY
Beneficiary/Lender	:	H.R. VAN TRIEST, LLC, a California limited liability company
Dated	:	December 31st, 2002
Recorded	:	December 31st, 2002 in Official Records Series No. 200200172966
Loan No.	:	NONE SHOWN
Returned to Address	:	H.R. VAN TRIEST, LLC, P.O. BOX 8731, CHICO, CA 95927

Affects Parcels 5, 6, 7, 8, B & C.

37. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following

Instrument	:	GRANT OF EASEMENT
Granted to	:	VALLEJO SANITATION AND FLOOD CONTROL DISTRICT
For	:	STORM DRAIN EASEMENT WITH RIGHT OF INGRESS TO AND EGRESS FROM BY MEANS OF ROADS AND LANES
Recorded	:	April 10th, 2003 in Official Records, Series No. 200300056268
Affects	:	THE NORTHERLY AND WESTERLY PORTION OF PARCEL 1

NOTE: Said easement is also shown on the map filed on July 30th, 2003, in Book 44 of Parcel Maps, at Page 69.

38. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following

Instrument	:	GRADING EASEMENT
Granted to	:	URBAN LAND COMPANY, a California corporation
For	:	GRADING PURPOSES AND RELATED WORK
Recorded	:	June 12th, 2003 in Official Records, Series No. 200300095844
Affects	:	THE SOUTHWESTERLY PORTION OF PARCEL A

NOTE: Said easement is also shown on the map filed on July 30th, 2003, in Book 44 of Parcel Maps, at Page 69.

39. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as shown on the filed Map.

For	:	PROPOSED 20' VALLEJO SANITATION AND FLOOD CONTROL DISTRICT STORM DRAIN
Affects	:	THE SOUTHERLY PORTION OF PARCEL 7

NOTE: SAID EASEMENT IS TO BE DEDICATED BY SEPARATE DOCUMENT

40. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as shown on the filed Map.

For	:	PROPOSED COMMON ACCESS EASEMENT
Affects	:	THE EASTERLY 25' OF PARCEL 1 & THE WESTERLY 25' OF PARCEL 2

41. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as shown on the filed Map.

For	:	TEMPORARY 12' VALLEJO SANITATION FLOOD CONTROL DISTRICT ACCESS ROAD
Affects	:	THE SOUTHERLY PORTION OF PARCEL 7 & THE NORTHERLY PORTION OF PARCEL 6

NOTE: SAID EASEMENT IS TO BE DEDICATED BY SEPARATE DOCUMENT

42. NOTE: Information in possession of this Company indicates the possibility of a division of land ownership. If such division is in fact contemplated, the transaction would appear to fall within the purview of the Subdivision Map Act (66410 et seq. Government Code).

As a prerequisite to the Company's participation in land division transactions, compliance with one of the following provisions of the Subdivision Map Act will be required:

a. The recording of a subdivision map in compliance with statutes or related local ordinances; or
b. The recording of a Parcel map in compliance with statutes or related local ordinances; or
c. The recording of a Certificate of Compliance, as provided by statute; or
d. The recording of a waiver as provided by Government Code Section 66428; or
e. Submission of other satisfactory evidence of compliance with or non-violation of the Act.

Said matters affect PARCEL 3.

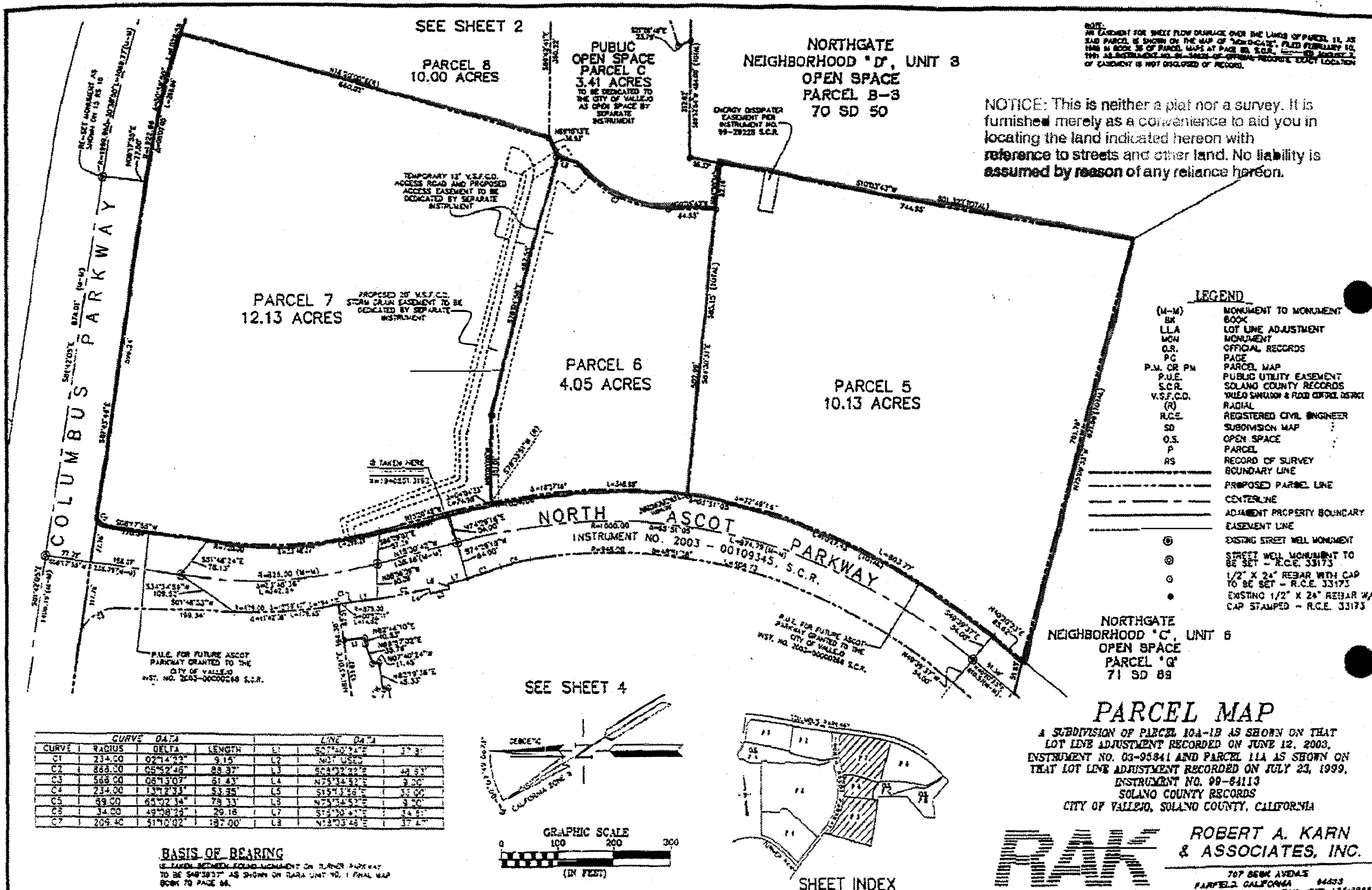
-------------------- Informational Notes --------------------

1. NOTE: Any conveyance of the herein described real property will be subject to a City of Vallejo Property Transfer Tax at the rate of $1.65 per $500.00 of the total sales price. Any unpaid bonds or assessments which are assumed will be added to the sales price in fixing this tax.

2. NOTE: According to the public records, there have been no deeds conveying the property described in this report recorded within a period of two years prior to the date hereof except as follows:

NONE

****



NOTICE: This is neither a plat nor a survey. It is furnished merely as a convenience to aid you in locating the land indicated hereon with reference to streets and other land. No liability is assumed by reason of any reliance hereon.

CURVE DATA				LINE DATA		
CURVE	RADIUS	DELTA	LENGTH	L1	S07°40'24"E	37.3'
C1	234.00	02°14'22"	9.15'	L2	NOT USED	
C2	865.00	05°52'46"	88.37'	L3	S04°32'22"E	48.53'
C3	568.00	06°13'07"	61.43'	L4	N75°34'52"E	3.00'
C4	234.00	13°12'33"	53.95'	L5	S15°13'36"E	35.00'
C5	69.00	65°02'34"	78.33'	L6	N75°34'52"E	3.00'
C6	34.00	49°08'24"	29.16	L7	S15°30'41"E	34.61'
C7	209.40	51°10'02"	187.00'	L8	N18°03'48"E	37.47'

BASIS OF BEARING

IS TAKEN BETWEEN FOUND MONUMENT ON TURNER PARKWAY TO BE S48°38'37" AS SHOWN ON DARA UNIT NO. 1 FINAL MAP BOOK 70 PAGE 66.

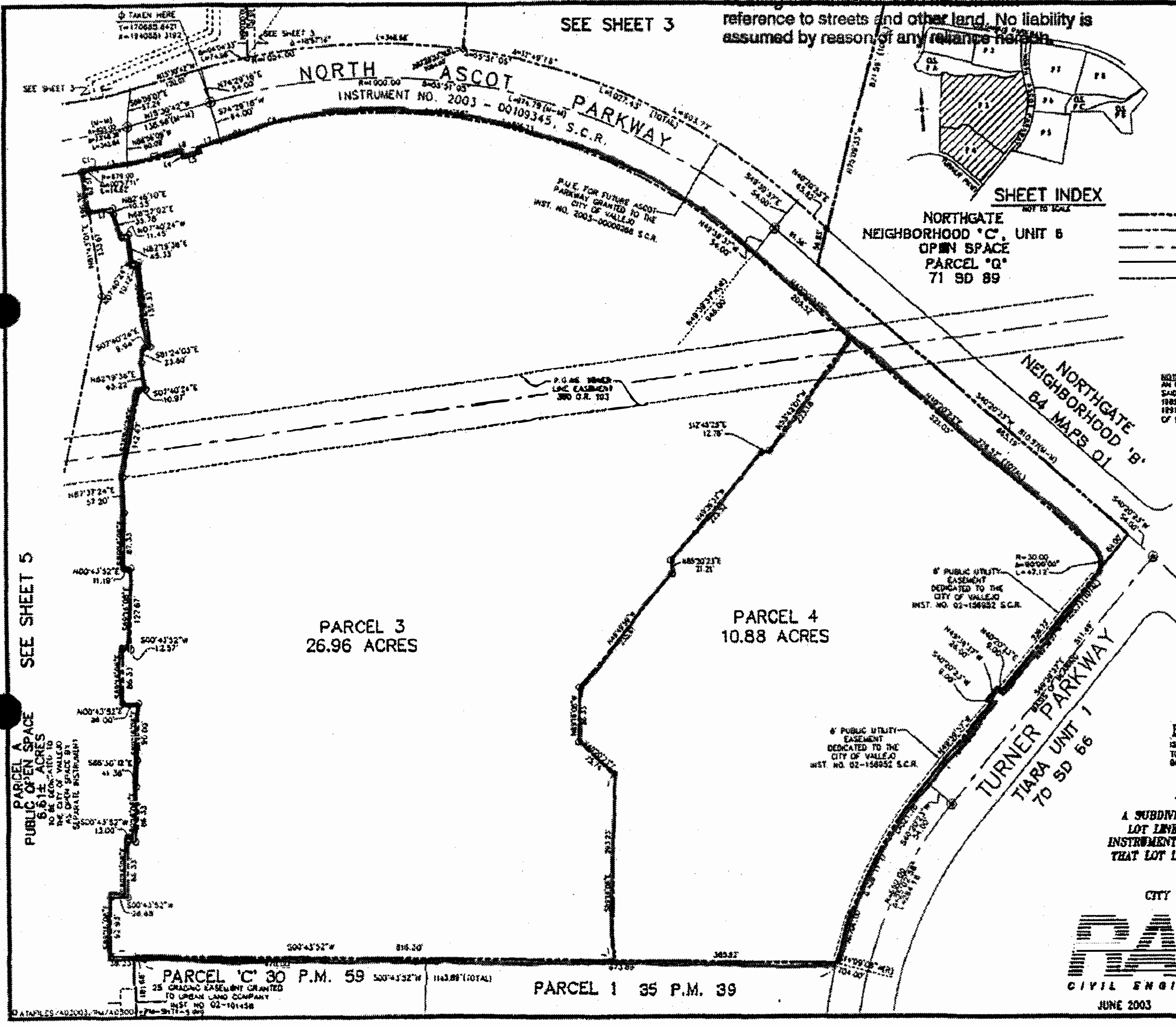
PARCEL MAP

A SUBDIVISION OF PARCEL 10A-1B AS SHOWN ON THAT LOT LINE ADJUSTMENT RECORDED ON JUNE 12, 2003, INSTRUMENT NO. 03-95841 AND PARCEL 11A AS SHOWN ON THAT LOT LINE ADJUSTMENT RECORDED ON JULY 23, 1999, INSTRUMENT NO. 99-84113
SOLANO COUNTY RECORDS
CITY OF VALLEJO, SOLANO COUNTY, CALIFORNIA

RAK
ROBERT A. KARN & ASSOCIATES, INC.
CIVIL ENGINEERS
707 BECK AVENUE
FAIRFIELD CALIFORNIA 94533
PHONE (707) 435-9999 FAX (707) 435-9888

JUNE 2003 SHEET 3 OF 3 SCALE: 1"=100'

NOTICE: This is neither a plat nor a survey. It is furnished merely as a convenience to aid you in locating the land indicated hereon with reference to streets and other land. No liability is assumed by reason of any reliance hereon.



LEGEND

(M-M)	MONUMENT TO MONUMENT
BK	BOOK
L.L.A	LOT LINE ADJUSTMENT
MON	MONUMENT
O.R.	OFFICIAL RECORDS
PG	PAGE
P.M. OR PM	PARCEL MAP
P.U.E.	PUBLIC UTILITY EASEMENT
S.C.R.	SOLANO COUNTY RECORDS
V.S.F.C.D.	VALLEJO SANITATION & FLOOD CONTROL DISTRICT
(R)	RADIAL
R.C.E.	REGISTERED CIVIL ENGINEER
SD	SUBDIVISION MAP
O.S.	OPEN SPACE
P	PARCEL
RS	RECORD OF SURVEY

BOUNDARY LINE
PROPOSED PARCEL LINE
CENTERLINE
ADJACENT PROPERTY BOUNDARY
EASEMENT LINE
EXISTING STREET WELL MONUMENT
STREET WELL MONUMENT TO BE SET - R.C.E. 33173
1/2" X 24" REBAR WITH CAP TO BE SET - R.C.E. 33173
EXISTING 1/2" X 24" REBAR W/ CAP STAMPED - R.C.E. 33173

NOTE:
AN EASEMENT FOR SHEET FLOW DRAINAGE OVER THE LANDS OF PARCEL 11, AS SAID PARCEL IS SHOWN ON THE MAP OF "NORTHGATE", FILED FEBRUARY 10, 1989 IN BOOK 33 OF PARCEL MAPS AT PAGE 80, S.C.R., RECORDED AUGUST 7, 1991 AS INSTRUMENT NO. 91-58223 OF OFFICIAL RECORDS. EXACT LOCATION OF EASEMENT IS NOT DISCLOSED OF RECORD.

CURVE DATA

CURVE	RADIUS	DELTA	LENGTH
C1	234.00	02°14'22"	9.15'
C2	566.00	05°52'45"	66.67'
C3	566.00	06°13'07"	61.43'
C4	234.00	13°12'33"	53.95'

LINE DATA

L1	S07°40'24"E	37.81'
L2	NOT USED	
L3	S08°32'22"E	46.63'
L4	N73°34'52"E	9.00'
L5	S15°33'56"E	33.00'
L6	N73°34'52"E	9.00'
L7	S15°30'42"E	34.51'

GRAPHIC SCALE
0 100 200 300
(IN FEET)

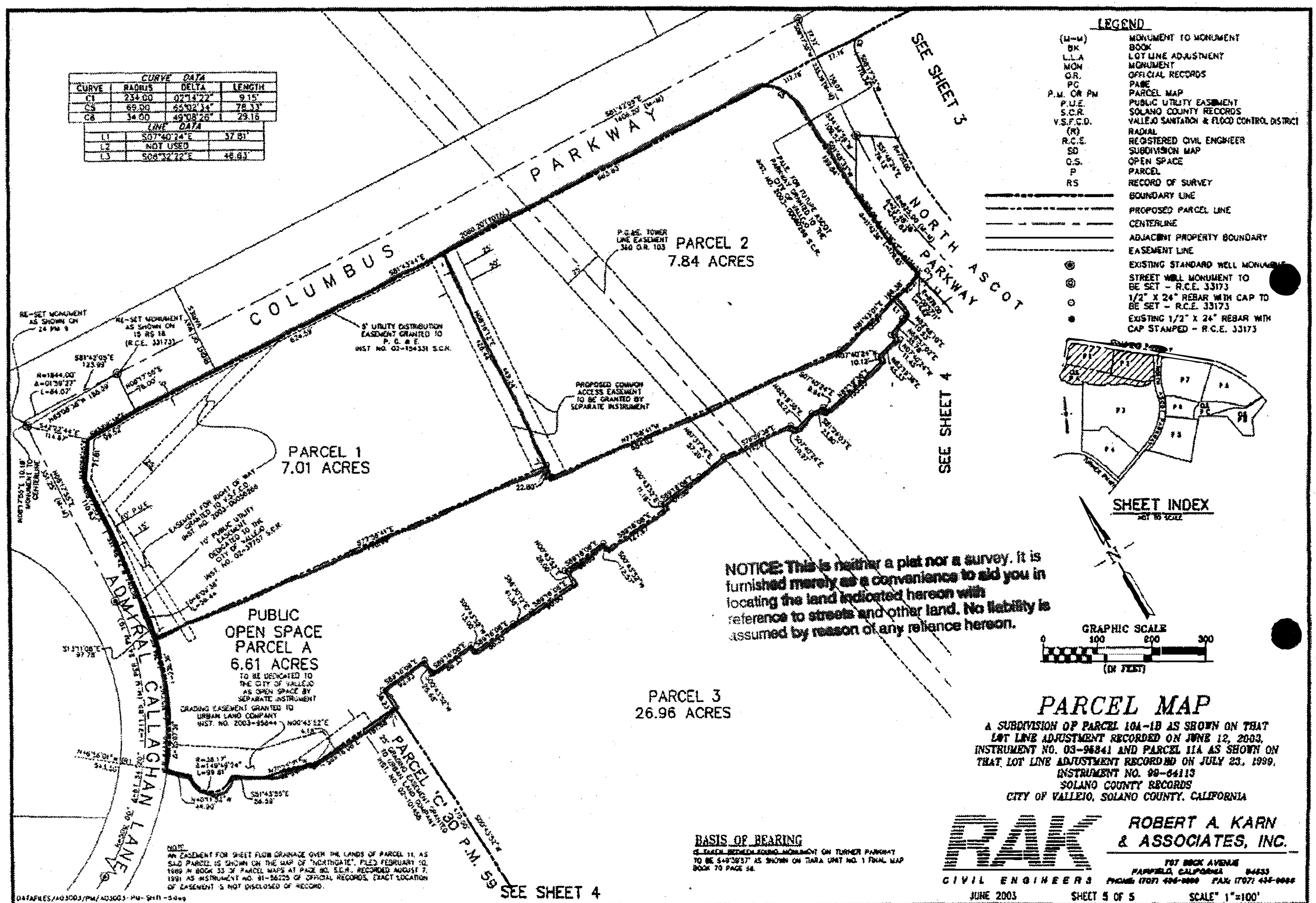
BASIS OF BEARING
IS TAKEN BETWEEN FOUND MONUMENT ON TURNER PARKWAY TO BE S46°38'37" AS SHOWN ON TIARA UNIT NO. 1 FINAL MAP BOOK 70 PAGE 66.

PARCEL MAP

A SUBDIVISION OF PARCEL 10A-1B AS SHOWN ON THAT LOT LINE ADJUSTMENT RECORDED ON JUNE 12, 2003, INSTRUMENT NO. 03-96841 AND PARCEL 11A AS SHOWN ON THAT LOT LINE ADJUSTMENT RECORDED ON JULY 23, 1999, INSTRUMENT NO. 99-64113
SOLANO COUNTY RECORDS
CITY OF VALLEJO, SOLANO COUNTY, CALIFORNIA

RAK CIVIL ENGINEERS
ROBERT A. KARN & ASSOCIATES, INC.
707 BECK AVENUE
FAIRFIELD, CALIFORNIA 94533
PHONE (707) 435-9999 FAX (707) 435-9999

JUNE 2003 SHEET 4 OF 5 SCALE: 1"=100'



CURVE DATA			
CURVE	RADIUS	DELTA	LENGTH
C1	234.00	02°14'22"	9.15'
C5	69.00	65°02'34"	78.33'
C8	34.00	49°08'26"	29.16

LINE DATA		
L1	S07°40'24"E	37.81'
L2	NOT USED	
L3	S08°32'22"E	46.63'

44 PM 73

EXHIBIT A

CALIFORNIA LAND TITLE ASSOCIATION
HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998
EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
   a. building
   b. zoning
   c. land use
   d. improvements on the land
   e. land division
   f. environmental protection

   This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.

   This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
3. The right to take the Land by condemning it, unless:
   a. a notice of exercising the right appears in the Public Records at the Policy Date; or
   b. the taking happened before the Policy Date and is binding on you if You bought the land without Knowing of the taking.
4. Risks:
   a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
   b. that are Known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
   c. that result in no loss to You; or
   d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.d, 22, 23, 24, or 25.
5. Failure to pay value for Your Title.
6. Lack of a right:
   a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
   b. in streets, alleys, or waterways that touch the Land.

   This Exclusion does not limit the coverage described in Covered Risk 11 or 18.

CALIFORNIA LAND TITLE ASSOCIATION
STANDARD COVERAGE POLICY - 1990

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions of or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

   (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
   (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
   (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy.
   (c) resulting in no loss or damage to the insured claimant;
   (d) attaching or created subsequent to Date of Policy;
   (e) or resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

In addition to the Exclusions, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.

   Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.

 (Continued on next page)

EXHIBIT A (Continued)

5.(a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights,claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992
SCHEDULE OF EXCLUSIONS FROM COVERAGE

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, orregulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character,dimensions or location of any improvement now or hereafter erected onthe land; (iii) a separation in ownership or a change in thedimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of anyviolation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or anotice of a defect, lien or encumbrance resulting from a violation or alleged violation affectingthe land has been recorded in thepublic records at Date of Policy.
   (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice ofa defect, lien or encumbrance resulting from a violation or alleged violation affectingthe land has been recorded in the public records atDate of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but notexcluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser forvalue without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant; (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder; (c) resulting in no loss or damage to the insured claimant; (d) attaching or creating subsequent to Date of Policy; or (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws.

AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970 (Rev. 1992)
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
SCHEDULE OF EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy:

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy , use or enjoyment of land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law, ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant; (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy or acquired the insured mortgage and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder; (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy (except to the extent insurance is afforded herein as to any statutory lien for labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy).
4. Unenforceability of the lien of the insured mortgage because of failure of the insured at Date of Policy or of any subsequent owner of the indebtedness to comply with applicable "doing business laws" of the state in which the land is situated.
5. Any claim, which arises out of the transaction creating the interest of the mortgage insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
   (i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
   (ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
   (iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
      (a) to timely record the instrument of transfer; or
      (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992 WITH A.L.T.A. ENDORSEMENT
FORM 1 COVERAGE EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
   (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless a notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
   (a) created, suffered, assumed or agreed to by the insured claimant;
   (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;

(Continued on next page)

c. resulting in no loss or damage to the insured claimant;

d. attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of theinsured mortgage over any statutory lien for services, labor or material or the extent insurance is afforded herein as toassessments for street improvements under construction or completed at date of policy); or

e. resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.

Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable "doing business laws" of the state in which the land is situated.

Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.

Any statutory lien for services, labor, or materials (or claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.

Any claim, which arises out of the transaction creating the interest of the mortgage insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:

(i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
(ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
(iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
  (a) to timely record the instrument of transfer; or
  (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

AMERICAN LAND TITLE ASSOCIATION
RESIDENTIAL TITLE INSURANCE POLICY - 1987
EXCLUSIONS

addition to the exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees and expenses resulting from:

1. Govermental police power, and the existence or violation of any law or governmental regulation. This includes building and zoning ordinances and also laws and regulations concerning:
   - land use
   - improvements on the land
   - land division
   - environmental protection

   This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date. This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
   - a notice of exercising the right appears in the public records on the Policy Date.
   - the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking.

3. Title Risks:
   - that are created, allowed, or agreed to by you
   - that are known to you, but not to us, on the Policy Date - unless they appear in the public records.
   - that result in no loss to you
   - that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks.

4. Failure to pay value for your title.

5. Lack of a right:
   - to any land outside the area specifically described and referred to in Item 3 of Schedule A
   - or
   - in streets, alleys, or waterways that touch your land.

   This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

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COMPARABLE LAND SALES
Commercial

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Commercial Land

1

Location	Corner of Nut Tree Road & Burton Drive Vacaville, CA 95687
APN	131-440-23
Zoning	CG
Grantor	ATC Realty Sixteen Inc.
Grantee	AFE Vacaville II, LP
Recording No	
Sale Date	1/1/2003
Sale Price	$1,774,051.00
Size (Sq. Ft.)	220,849
Price (Sq. Ft.)	$8.03

Comments:

This site is located on the corner of Burton Drive and Nut Tree Road in a developing area south of Nut Tree Parkwayand considerable recent commercial development. The buyer in this transaction plans to develop an assisted care center on the site, which is an allowable use under the general commercial zoning overlay. The buyer plans to assume water rights bonds totaling $9,214, which allow lower water hookup fees and are a benefit to any project. Other assessment bonds total $39,415, and the site is also in a mello roos special tax district. The mello roos current annual fees of $29,909 have been capitalized over the 12 year remaining term of this tax (expires in 2014-2015) using a 10% capitalization rate to reflect this special tax. The sale price has been adjusted by both the capitalized mello roos fees and the assessment/water bond principle balance to reflect these obligations to the buyer. The developer of this is also subject to a reimbursible agreement with the site adjacent on the southeast, for reimbursment of the improvements of two non-exclusive roadway access easments. The cost to the developer of the subject in this reimbursinble agreement is $21,631. The topography of this site is basically level, the shape is rectangular, and all urban utilities are available. The site had been listed with an asking price of $7.50 per square foot plus the bonds, capitalized mello roos fees, and reimbursible agreement obligation.

Commercial Land

2

Location	2170 Columbus Parkway
	Benicia , CA
APN	0079-020-360
Zoning	CG
Grantor	Butler, P.A.
Grantee	National Wide Corp.
Recording No	
Sale Date	6/2/2003
Sale Price	$865,000.00
Size (Sq. Ft.)	107,593
Price (Sq. Ft.)	$8.04

Comments:

At the time of sale, the property was improved with a 3-bedroom, 1-bath mid 1950's built single-family residence apparently in barely serviceable condition. However, the broker, the seller and apparently the buyer recognized that the value rested entirely with the site, and that the improvements would be demolished. The site backs to the interstate-780 right-of-way, but the freeway visibility is minimal. The broker indicated the buyer intends some form of commercial development, but its specific character was unspecified. There are other commercial uses in the general area including two small shopping centers, and a large office building. According to the broker, the smaller percentage of seller financing did not materially impact the sales price.

Commercial Land

3

Location	Southerly side of Columbus Parkway and St. John
	Vallejo, CA
APN	0081-800-230
Zoning	MU-Co
Grantor	Northgate Business Park, LLC
Grantee	Solano Community College District
Recording No	
Sale Date	11/20/2003
Sale Price	$3,777,928.00
Size (Sq. Ft.)	421,225
Price (Sq. Ft.)	$8.97

Comments:

The buyer (Solano Community College) will pay a sum of $2,793,494 for the property. In addition, the buyer is to pay in escrow a sum of $984,454 for either existing (reimbursible) or new infrastructural improvements. It is understood that this additional sum will bring the property to its finished state. The seller is responsible for level-grading at the property, and some other necessary offsite improvements. The site is part of the Northgate specific Plan which was revised, and the designation for this property is a new classification specific plan category commercial. Under the new category, a broad range of land uses would be permitted including retail, commercial, lodging, independant senior housing, assisted living/congregate care and community educationl use. A sizeable portion of the immediate area is expected to be a new Vallejo automall, for which a map provided to the appraisers shows Phase II of the automall as being adjacent to the site on the west. There were no bonds assumed for the proposed transaction. The 10-acres has a slope area of 0.33-acres leaving a net 9.67-acres for the site.

Commercial Land

4

Location	SWC of Orange & Lawrence Drives Vacaville, CA
APN	134-080-25,30 & 31
Zoning	CG
Grantor	Robert Worthan, Linda Kenyon, et al
Grantee	GMAC Leasing Corporation
Recording No	
Sale Date	12/30/2002
Sale Price	$1,807,000.00
Size (Sq. Ft.)	153,767
Price (Sq. Ft.)	$11.75

Comments:

This site is comprised of three assessor's parcels, and is located on the corner of Orange and Lawrence Drives, opposite the interstate-80 ramps and freeway right-of-way. A small restaurant and Motel 6 are across Lawrence Drive, and the Black Oak restaurant is adjacent on the south. The buyer in this transaction plans to develop a 23,500 square foot Buick-Pontiac-GMC dealership that will include a 5,300 square foot showroom and 16 service bays. This dealership is relocating from Fairfield. The Vacaville Auto Center is one-half mile northeast, and the factory stores at Vacaville are one-quarter mile southwest. The seller reportedly paid the $100,000 reimbursable obligation in escrow for frontage improvements installed during the Orange Drive widening project. There is an improved access easement along the eastern property line that provides access to the two hotels adjacent on the east. The topography of this site is level, all off-site improvements are complete, and all utilities are available. Signage to interstate-80 traffic is good.

Commercial Land

5

Location	Adjacent to 1190 Admiral Callaghan Lane
	Vallejo, CA
APN	0081-010-250
Zoning	MUPD
Grantor	Urban Land Co
Grantee	Syuffy
Recording No	
Sale Date	9/12/2003
Sale Price	$2,198,000.00
Size (Sq. Ft.)	175,000
Price (Sq. Ft.)	$12.56

Comments:

This is the sale of a 5.83-acre site for a Kohl's clothing store. At the time of sale, part of the property was used as parking under a lease to an adjacent theater. The remainder of the propertywas sloping , and unused. This transaction is in preperation for a re-use of this property, and the theater property, for a clothing store. Syuffy Entertainment purchased this site and along with the fee-owned site now hosting the theater which will be demolished, will ground lease the assembled site to Kohl's who will construct the new store. According to the seller, approximately 1.8126-acres of this property is unusable. We estimate the usable area at 4.02 acres or 175,000 square feet. The assessment bonds carried by the buyer had a total principal balance of roughly $98,000 at the time of sale. All offsite improvements are complete.

Commercial Land

6

Location	Helen Power Drive
	Vacaville , CA
APN	131-430-35
Zoning	Commercial
Grantor	R & C California Associates, LP
Grantee	RB Skyline Vacaville, LP
Recording No	
Sale Date	5/8/2003
Sale Price	$1,259,259.00
Size (Sq. Ft.)	102,366
Price (Sq. Ft.)	$12.30

Comments:

This is the sale of a 2.35-acre site for Marshall's. The listing price was $11.50 for the land, and an assumption of approximately $1.80 in bonds, extraordinary assessments or mello roos taxes. A 10-year lease with options to Marshall's was pending at the time this parcel went into escrow. All off-site improvements were complete.

Commercial Land

7

Location	NEC Admiral Callahan Lane & Autoclub Way
	Vallejo, CA
APN	0081-010-032
Zoning	PDC
Grantor	Urban Land Services
Grantee	Jack Wilson
Recording No	
Sale Date	10/30/2001
Sale Price	$715,472.00
Size (Sq. Ft.)	55,757
Price (Sq. Ft.)	$12.83

Comments:

This site is located on the corner of Admiral Callahan Lane and Autoclub Way. This transaction reflects a ground lease for development of a pre-owned Toyota dealership. The assessor's records indicate that this site contains 1.35-acres, but the dedication of a 0.07-acre road widening easement to the city for the widening of Admiral Callahan Lane was necessary. After the dedication, the effective site area was reduced to approximately 1.28-acres. Additionally, a 5-foot public utility easement dedication along the Admiral Callahan frontage was also necessary. However, this easement was accomodated within the sidewalk/landscaping areas and did not impact the effective net site area. The ground lease was signed 10/30/01, and all contingencies were met on 3/15/02. The lease has a 34 year term, and the agreed-upon land value was $12.00 per square foot, with a 10% return. Rent escalations are CPI every 5-years.

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COMPARABLE LAND SALES
Residential

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Residential Land Sale

1

Location	Ascot Parkway @Columbus Parkway Vallejo, CA 94590
APN	0082-030-100
Zoning	MUPD
Grantor	Duc Housing Partners
Grantee	Richmond American Homes of California, Inc.
Recording No	53903
Sale Date	5/25/2001
Sale Price	$4,000,000.00
Size (Sq. Ft.)	458,687
Price (Sq. Ft.)	$8.72
Size (Acres)	10.5300
Price Per Acre	$379,867.00
Units	67
Price Per Unit	$59,701.49
Density	6.400

Comments:

This property is located within the Northgate Specific Plan Area of Vallejo, and consists of 10.53 acres purchased with tentative map approval for the development of a 67 lot single family residential subdivision. Average lot size in the subdivision will be 3200 SF.. The property was originally purchased by Duc Housing Partners in 1995 for $1 million without entitlements. Duc processed the tentative map and then resold the property to Richmond American Homes. The property was purchased in an all cash transaction.

The site is essentially level, but upgrade of Columbus Parkway, with primary access from Hillary Way. The property has access to all municipal utilities. Homes subsequently built on the site will be subject to Mello-Roos fees as are all new projects within the Northgate PRC. Site development costs are estimated at between $30,000-$35,000 per lot.

Residential Land Sale
2

Location	450 Mountain Meadows Drive Fairfield, CA 94534
APN	0045-340-440
Zoning	RM
Grantor	Riechers & Spence, et al
Grantee	The OBrien Group
Recording No	126997
Sale Date	7/31/2003
Sale Price	$1,654,993.00
Size (Sq. Ft.)	135,036
Price (Sq. Ft.)	$12.26
Size (Acres)	3.1000
Price Per Acre	$533,868.71
Units	25
Price Per Unit	$66,199.72
Density	8.065

Comments:

The subject property consists of 3.1 net acres (3.31 gross acres) of undeveloped land located at the terminus of Mountain Meadows Drive, in the western limits of the City of Fairfield, Solano County, CA. The site is relatively level with a seasonal creek (Don Wilson Creek) flowing from north to south along the western edge of the property. In addition to the creek, the site is bounded to the west by commercial space (restaurant), and to the north, east and south by Low Medium Density Residential Development (4.5-8 DU/acre). The property's historical use is agricultural.

The site is proposed to be developed as "The Oaks at Creekside" subdivision, and will contain 25 single family detached homes, 3 of which will be BMR units. Lots within the subdivision will range in size from 3338 SF to 5613 SF, exceeding the 2500 SF minimum lot size established by the Fairfield Zoning Ordinance for the RM zoning district. The project is adjacent to The Ranch Unit Four subdivision, approved by the City in 1999. The site retained its original zoning (RM-Residential Medium Density) during development of The Ranch, since the parcel was not proposed for development because it was under separate ownership. Direct site costs, including development consultants and a 10% contingency factor, are $791,323, or $31,653 per lot. Permits and fees allocated specifically for site work are $722,286, or $28,891 per lot. The total cost to finished lot status is $1,513,610, or $60,544 per lot. The three proposed BMR units contain 1590 SF. The 22 market rate units will offer 2 floor plans at 2012 SF and 2241 SF, with projected prices from $390,000 to $405,000

The original contract of sale dates to March 13, 2003, with the purchase price of $1,625,000, based on receipt of Fairfield approval of a Final Map, subdividing the property into 25 single family lots. However, The O'Brien Group excercised its option to terminate the agreement during the feasibility period. The agreement, however, was subsequently reinstated as a Second Amendment on May 5, 2003, with an adjustment to the purchase price and to provide the seller with a right to receive a portion of the profits generated by the home sales in The Oaks at Creekside subdivision. The purchase price was changed to $1,375,000. The anticipated contingent profit participation is an additional $207,898 to the seller. Additional shared preacquisition costs yield a total cost commitment to the land by The O'Brien Group of $1,654,993, which is considered to be the purchase price of the property.

Residential Land Sale

3

Location	Vine St. at Markham St.
	Vacaville, CA 95688
APN	0130-010-340, 350
Zoning	RLM
Grantor	Coast Creative Development Corp.
Grantee	Villages on Vine (LLC)
Recording No	126360
Sale Date	10/4/2002
Sale Price	$3,620,000.00
Size (Sq. Ft.)	645,995
Price (Sq. Ft.)	$5.60
Size (Acres)	14.8300
Price Per Acre	$244,099.80
Units	54
Price Per Unit	$67,037.04
Density	3.641

Comments:

This is the sale of two parcels of land divided by Vine St, west of Markham Ave., in Vacaville. Parcel 340 is situated on a graded plateau above grade of both Markham Ave., and Vine St. Parcel 350 is situated at the current terminus of Vine St. and is bordered by a neighborhood shopping center. This site is more at grade with street level. The property was purchased with tentative subdivision map approval to develop 54 minimum 4500 SF single-family lots. The developer is Pavilion Homes. The proposed project will be marketed under the name "Villages on Vine", Village 1 and Village 2. Village 1 will consist of 29 homes ranging in size from 2337 SF to 3062 SF, with four different floor plans. Village 2 will consist of 25 homes ranging in size from 1624 to 2383 SF, with three different floor plans. At the time of our inspection, the sites were still vacant, although construction is scheduled to begin in 2003.

The property has access to all municipal utilities. The property was purchased in a cash to seller transaction. The marketing time was 6 months, according to the broker. There were reportedly no assessment bonds assumed with this property. Development financing is through Bank of America. Site development costs are estimated at $40,000-$50,000 per lot.

Residential Land Sale

4

Location	Lopes Rd. and Silver Creek Rd.
	Fairfield, CA 94534
APN	0180-261-020
Zoning	PD
Grantor	Norris Canyon Associates (Blacksmith Homes L.P.)
Grantee	Discovery Builders, Inc. (Seeno Homes)
Recording No	106715
Sale Date	6/30/2003
Sale Price	$3,900,000.00
Size (Sq. Ft.)	296,208
Price (Sq. Ft.)	$13.17
Size (Acres)	6.8000
Price Per Acre	$573,529.41
Units	55
Price Per Unit	$70,909.09
Density	8.088

Comments:

This property consists of 6.8 acres of undeveloped land located at the southwestern edge of Cordelia, within a development area identified as Cordelia Villages, Unit Number 3, in the City of Fairfield. This is an area of overlapping new home subdivisions that have been largely developed by Seeno Homes over the last 15 years. The property is proposed to be developed as the "Parkview" subdivision of 55 single family homes, 49 of which are to be market rate homes, and 6 of which will be affordable units. Site development costs were estimated by the developer at $2,239,985, or $40,727 per unit.

The original purchase agreement involving the grantor in this sale was signed 1/04/02, at a reported purchase price of $1,290,000, by and between Cordelia Village Apartments and Castle Construction Company. Castle Homes conveyed the land purchase plus a $910,000 right of assignment fee to Blacksmith Homes, so that the total purchase price of the property was increased to $2,200,000. The original contract placed close of escrow concurrent with receipt of tentative subdivision map approval. However, Blackstone Homes elected to close escrow, prior to receipt of tentative map approval, citing support of the City of Fairfield for the project. The sale closed escrow 5/12/03 in an all cash transaction. Within one month after the close of escrow, the property was resold to a division of Seeno Homes in another all cash transaction at $3.9 million, almost twice the price paid by Blacksmith Homes. Seeno Homes has had a strong presence in the Cordelia area north of I-680, including developing all of the homes around this parcel. In addition, two more Seeno projects are being built in the immediate area. It is our perception that Seeno was strongly influenced by their desire to build exclusively in the area where this sale property is located, and paid a premium to Blacksmith Homes to maintain that exclusivity. This most recent sale was also an all cash transaction.

The sale site is traversed by a PG&E tower line easement and is situated adjacent to American Canyon Creek. The site also experiences traffic noise from the I-680 freeway, which parallels Lopes Rd. Average lot size in the subdivision is 3500 SF.

Residential Land Sale

5

Location	Parcel 316A, Hiddenbrooke Parkway Vallejo, CA 93591
APN	182-272-030, 040
Zoning	MUPD
Grantor	Triad Communities
Grantee	Taylor Woodrow Homes, Inc.
Recording No	In escrow, to close 1/20/04
Sale Date	9/19/2002
Sale Price	$8,605,200.00
Size (Sq. Ft.)	1,021,482
Price (Sq. Ft.)	$8.42
Size (Acres)	23.4500
Price Per Acre	$366,959.49
Units	71
Price Per Unit	$121,200.00
Density	3.028

Comments:

This sale is Parcel 316A of the Hiddenbrooke Specific Plan Area located in Sky Valley within the incorporated City of Vallejo. Parcel 316A is the configuration of Original Parcels 316 and 317, which are now scheduled to be developed as a single residential subdivision. The two combined parcels have a gross site area of 23.45 acres. The properties are contiguous and are situated along the westerly side of Hiddenbrooke Parkway at County Club Drive, and have an exceptional view overlooking the Hiddenbrooke Golf Course. The development area of the site is a plateau situated above grade of Hiddenbrooke Parkway.

The property is under contract of sale to Taylor Woodrow Homes, Inc. The contract date is September 19, 2002. The property will be delivered to Taylor Woodrow as 71 finished single-family residential lots, 70 of which will be average 3600 SF production home lots. The remainder parcel will be a large custom view lot. The average price for the production home lots is $120,750. The price of the custom lot is $152,700. The overall average lot price is $121,200.

The tentative map was submitted to the City of Vallejo Planning Department 3/26/03. Planning Commission approval is scheduled to be received by June 2003, with recordation of final map in October 2003. Triad believes that a grading permit may be issued in mid-summer, 2003. The cost to improve the lots is estimated at $60,200 per lot, or $4,274,200 for the entire subdivision. This cost estimate includes both hard and soft costs, as well as development fees. The site work is expected to consume approximately 6 months. Close of escrow is anticipated by January 20, 2004.

In the event that the City of Vallejo does not approve the 71-lot concept, there is a back-up sale agreement, dated 9/19/02, and amended 11/5/02, which allows Taylor Woodrow to purchase 61 or 62 residential lots, at final map only, at $70,000 per lot. This would be $4,270,000 for 61 lots, and $4,340,000 for 62 lots. The outside close of escrow date would be 12/31/04. The terms of sale are a $100,000 initial cash deposit. With approval of Tentative Map, a second deposit of $900,000 is required. With recordation of Final Map, a final deposit of $1 million is required. At close of escrow, the reminder of the purchase price will be paid in cash.

Residential Land Sale
6

Location	Alder Creek Rd., south of Landmark Dr.
	Vallejo, CA 94591
APN	0182-050-020, 030
Zoning	MUPD
Grantor	Triad Communities, L.P.
Grantee	R. W. Hertel & Sons, Inc.
Recording No	In Escrow-to close 2/27/04
Sale Date	3/19/2002
Sale Price	$8,400,000.00
Size (Sq. Ft.)	705,672
Price (Sq. Ft.)	$11.90
Size (Acres)	16.2000
Price Per Acre	$518,518.52
Units	70
Price Per Unit	$120,000.00
Density	4.300

Comments:

This sale is The Orchards property located at the southerly end of the Hiddenbrooke Master Planned Community, within the Hiddenbrooke Specific Plan Area, in Sky Valley, within the incorporated City of Vallejo. The site is proposed to be developed with 70 detached single family residential lots. Hiddenbrooke is organized into 27 neighborhoods, and four phases. The Orchards is in Phase IV. The subject is a portion of a 65.7 acre panhandle, cumulatively identified as The Orchards, 16.2 acres of which will be developed with the 70 subject residential lots. The remaining 49.5 acres is within the Tri-City and County Cooperative Planning Area for Agriculture and Open Space. A 16-18 acre site within the Orchards will be dedicated for a school and active use park that will be developed by the Vallejo City Unified School District and the Greater Vallejo Recreation District. The school will be developed south of the residential area on ten net acres through the Mello-Roos district covering the Hiddenbrooke and Northgate areas. The park will be developed on 6 to 8 net acres adjacent to the school, and will include active recreation uses, such as ball fields, to serve project residents. The park will compliment the more passive open space and recreation uses developed as part of the Tri-City and County Cooperative Planning Area for Agriculture and Open Space program The Hiddenbrooke Specific Plan allocates up to 70 lots in Phase IV in the Orchards.

The original purchase agreement was signed 9/21/99, with the original close of escrow estimated at August 21, 2001. The original contract expired, and was renegotiated between the origianl buyer and seller on March 19, 2002. The original $7,000,000 purchase price was increased to $8,400,000, or $120,000 per lot from $100,000 per lot. The property is scheduled to be delivered to Hertel as finished lots. The minimum lot size is 4000 SF. The project was originally targeted for adult living, and the Specific Plan required that homes range in size from 1600 SF to 2400 SF. This stipulation was removed, however, in the new agreement. The

Orchard homes will no longer be age restricted. The subdivision is designed as a private enclave, surrounded by open space, with a single entry point (other than fire-lane access) at Alder Creek Rd. The cost to develop the lots is estimated by Triad Communities at $61,900 per lot, inclusive of hard and soft costs and development fees. The anticipated entitlement process includes receipt of tentative map approval by June 2, 2003; final map approval by October 2003; and delivery of finished lots by the first quarter of 2004. Site work is estimated to take 6 months. The tentative map was submitted to the City of Vallejo on 2/20/03, in conjuction with the application for PD approval.

An additional component is the Profit Participation Agreement. In addition to the lot purchase price, Triad is entitled to a portion of the profits received from the sale of the subsequently built residence, not to exceed in the aggregate $4000 per lot/home. Subsequently built homes on the lots will be subject to Mello-Roos fees for the Hiddenbrooke Specific Plan Area. The average annual fees are approximately $3,600 per year, which is attached to the property tax bill. Most developers are buying down the fees by approximately 50 percent, so that the annual fees are more in the range of $1800 to $2000 per year.

The sale site is generally level to gently rolling, and is dotted with a number of non-specimen trees. When the purchase agreement was signed a non-refundable earnest money deposit of $250,000 was placed in escrow pending delivery of the finished lots. The remainder of the purchase price is to be paid at close of escrow upon delivery of the 70 lots in finished condition.

QUALIFICATIONS OF NORMAN C. HULBERG, MAI
QUALIFICATIONS OF ROBERT D. HENSLEY, MAI
ASSUMPTIONS AND LIMITING CONDITIONS
CERTIFICATION OF APPRAISAL

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NORMAN C. HULBERG, MAI
QUALIFICATION STATEMENT

EXPERIENCE
Mr. Hulberg is president of Hulberg & Associates, Inc. Based with offices in Silicon Valley (San Jose) and East Bay (San Ramon), Hulberg & Associates is the largest commercial appraisal firm in Northern California. Since 1975, the firm has appraised over $82 billion in real estate.

Independent real estate appraiser and consultant since 1975.

Served as Chairman of the Admissions Committee of the Northern California Chapter of the Appraisal Institute. Served on Board of Directors.

EDUCATION
Masters of Business Administration – San Jose State University

Bachelor of Science – San Jose State University. Major in Real Estate. Graduated with honors.

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

PROFESSIONAL LICENSE
-Member, Appraisal Institute, No. 6468 (MAI)
-Member, International Right of Way Association
-Member, Urban Land Institute
-State of California "Certified-General" Real Estate Appraiser Certificate No. AG003542

APPRAISAL ASSIGNMENTS
Employed in all phases of real estate consulting and appraisal. Some of the types of properties appraised are outlined below:

Residential:	Single-family, condominium, apartments, land, mobile home parks.
Commercial:	Office buildings, hotels/motels, service stations, retail, vacant land.
Industrial:	Industrial plants, research and development, warehouses, vacant land.
Other:	Undivided interest valuations, contaminated properties, special purpose properties, feasibility studies, market studies, condemnation, litigation support, mediations, arbitrations and review appraisals. Qualified as an expert witness in the Counties of Santa Clara, San Mateo, Alameda, Santa Cruz, Stanislaus, and in the U.S. Tax Court in the U.S. District Courts in San Jose, San Francisco, Oakland, and Las Vegas. Provided testimony on over 50 occasions.

SPEAKING ENGAGEMENTS

International Right of Way Association; February 1999

- ***"Valuing Benefits after MTA v. Continental"***

International Right of Way Association; September 1998

- ***"Dealing with Contaminated Property"***

Appraisal Institute, Fall Conference; October 1997

- ***"Current Issues in the Profession"***

Certified Public Accountants, San Jose Chapter; November 1996

- ***"The Perils of Expert Testimony"***

Appraisal Institute, Sacramento, California; September 1996

- ***"Introduction to Eminent Domain"***

Certified Public Accountants, California Society; August 1996

- ***"Discounting Undivided Interests"***

Appraisal Institute; April 1995

- ***"Valuation of Contaminated Property"***

Appraisal Institute; November 1994

- ***"Litigation Workshop"***

TEACHING ASSIGNMENTS

Appraisal Institute; Concord, California: May 1996

- ***"Beginning Eminent Domain"***

Appraisal Institute; May 1996

- ***"Condemnation and Court Testimony"***

California Redevelopment Association; Concord, California: January 1995

- ***"Property Acquisition"***

Urban Land Institute; San Francisco, California: June 1993

- ***"Asset Management"***

CLIENTS

Clients of Hulberg & Associates, Inc. include banks, savings and loans, insurance companies, attorneys, public agencies and individuals. A partial list of past clients includes:

Acacia Capital Corporation
Advanced Micro Devices
Aldrich, Eastman & Waltch
Alza Corporation
American Savings Bank
Apple Computer, Inc.
Arnelle, Hastie, McGee, Willis & Greene
Bank of America
Bank of the West
Barry Swenson Builder
Berliner-Cohen
Blickman-Turkus, Inc.
Brobeck, Phleger & Harrison
Caltrans
Castle & Cook, Inc.
Century Partners
Champion International
Chevron USA, Inc.
City of Fremont
City of Milpitas
City of San Jose
City of Santa Clara
Coast Counties Truck & Equipment Co.
Comerica Bank-California
County of Santa Clara
Cox, Castle & Nicholson
Dai-Ichi Kangyo Bank
Dept. Of Housing and Urban Dev.
Federal Home Loan Bank Board
Federal Home Loan Mortgage Corp.
Ferrari, Olson, Ottoboni & Bebb
Fireman's Fund Insurance Co.
Gray, Carey, Ware & Freiderich
Griffinger, Levinson, Freed & Heineman
Goldfarb & Lipman
Home Savings of America
Hopkins & Carley
Housing Capital Company
Howard, Rice, Nemerovski, Canady,
Robertson, Faulk & Rabkin
IBM
Intel Corporation
The Koll Company
Landals, Ripley, Diamond
Larwin Homes
Lehmann Brothers
Lincoln Property Co.
McDonald's Corporation
Merrill Lynch
Metropolitan Life Insurance Co.
Murray & Murray
Orchard Properties
Prudential Insurance Company of America
Richmond American Homes
Rolm Corporation
Ryland Homes
Sanwa Bank
Shea Homes
Shell Oil Company
Sheppard, Mullin, Richter & Hampton
Sobrato Development Co.
South Bay Construction & Dev. Co.
Sumitomo Bank
Tandem Computer Co.
United States Postal Service
Wells Fargo Bank

ROBERT D. HENSLEY, MAI
QUALIFICATION STATEMENT

EXPERIENCE
-Senior Appraiser; Hulberg & Associates, Inc. (1999 to Present)
-Manager, Property Tax Consultant; Deloitte & Touche (1998 – 1999)
-Assistant Vice President; Real Estate Tax Services (1995 – 1998)
-Appraiser; McFadden Appraisal Group (1993 – 1994)

EDUCATION
Bachelor of Arts in Political Science – University of California, Los Angeles

Successfully completed the following Appraisal Institute courses:

Real Estate Principles
Appraisal Procedures
Residential Valuation
Basic Income Capitalization
Advanced Income Capitalization
Advanced Applications
ARGUS Training Course (2 day)
Standards of Professional Practice (Parts A and B)
Condemnation Appraising, Basic and Advanced Topics
Report Writing and Valuation Analysis
Valuation of Detrimental Conditions (Seminar)
Litigation Skills for the Appraiser (Seminar)
Numerous continuing education real estate courses

PROFESSIONAL LICENSE
-State of California "Certified-General" Real Estate Appraiser, Certificate No. AG016190
-Member of the Appraisal Institute, No. 11932 (MAI)

SPEAKING ENGAGEMENTS
Santa Clara County Assessor's Training Conference, September 2002
- *"Determination of Business Value"*

APPRAISAL ASSIGNMENTS
Some of the types of real estate appraisal assignments are outlined below:

Commercial:	Retail, medical and professional office buildings, vacant land.
Industrial:	Warehouses, manufacturing, R&D, vacant land.
Residential:	Apartments, vacant land.
Special Purpose:	Medical clinics, nursing homes, assisted living facilities, service stations, parking garages, hotels/motels, day care facilities.
Other:	Condemnation, property tax, arbitrations, litigation support, minority interest valuation, market studies, and feasibility studies.
	Testified before numerous County Assessment Appeal Boards in the states of California and Washington.

ASSUMPTIONS AND LIMITING CONDITIONS

The appraisal is subject to the following assumptions and limiting conditions:

We believe the information furnished by others in this report to be reliable, but we assume no responsibility for its accuracy.

The legal description furnished us is assumed to be correct. We assume no responsibility for matters legal in character nor do we render any opinion as to the title, which is assumed to be good. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear under responsible ownership and competent management.

We have made no survey of the property and assume no responsibility in connection with such matters. The sketch in this report is included to assist the reader to visualize the property. Stable soil conditions are assumed. Water and mineral rights have not been valued, unless noted.

If this appraisal contains a valuation relating to a portion of a larger parcel of real estate, the value reported for such portion relates to the portion only. It should not be construed as applying with equal validity to other portions of the larger parcel.

Any structure(s) is assumed by the appraiser to have been constructed in accordance with applicable building code requirements. Any use of the structure(s) is assumed to be in conformance with applicable zoning ordinances, unless otherwise noted in the appraisal. No specific investigation of these issues has been undertaken by the appraiser. It is recommended that the client secure appropriate legal opinions if these issues pose any concern.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraisers have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could 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 effect upon the value of the property. Since the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.

Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

Assumptions and Limiting Conditions - (Continued)

This appraisal shall be used only for the function outlined in the attached report, unless expressly authorized by Hulberg & Associates, Inc. The format and value reported may or may not be valid for other purposes.

Distribution of this report is at the sole discretion of the client and we will make no distribution without the specific direction of the client.

If the client provides copies of this report to third parties, the client shall ensure that the report is copied in its entirety.

The liability of Hulberg & Associates, Inc., and its employees, is limited to the client only and to the fee actually received by the appraiser (total per appraisal). Further, Hulberg & Associates, Inc., assumes no obligation, liability, or accountability to any third party. Client agrees to hold Hulberg & Associates, Inc., and its employees, harmless in the event of lawsuit brought by any other party. If this report is placed in the hands of anyone but the client, client shall make such party aware of all the assumptions and limiting conditions of the assignment. The appraiser is in no way responsible for costs incurred to discover or correct any deficiencies of any type present in the property, physically, financially, and/or legally. The client also agrees that in case of lawsuit arising from or in any way involving this appraisal assignment (brought by lender, partner or part owner in any form of ownership, tenancy or any other party), client will hold appraisers harmless from and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

The appraisers cannot be held responsible for unforeseeable events that alter market conditions prior to the effective date of any prospective value.

The value or values presented in this report are based on the premises outlined herein and are valid for the purpose stated.

CERTIFICATION OF APPRAISAL

The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. I have no present or contemplated future interest in the real estate that is the subject of this appraisal.

2. I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved. The appraisal has not been based on a requested minimum valuation, specific valuation or the approval of a loan.

3. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

4. To the best of my knowledge and belief, the statement of facts contained in this appraisal report, upon which the analysis, opinions, and conclusions expressed herein are based, are true and correct.

5. This appraisal report sets forth all of the limiting conditions (imposed by the terms of my assignment or by the undersigned) affecting the analysis, opinions, and conclusions contained in this report.

6. Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the California Debt Advisory Commission's Appraisal Standards for Land-Secured Financings, as well as the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Appraisal Institute.

7. Robert D. Hensley, MAI, inspected the property. Norman C. Hulberg, MAI, did not inspect the property but did contribute to the analysis and conclusions of the report.

8. No one other than the undersigned prepared the analysis, conclusions, and opinions concerning real estate that are set forth in this appraisal report.

9. Members of the Appraisal Institute are required to meet certain continuing education requirements. As of the date of this report, Mr. Hulberg and Mr. Hensley have completed the requirements of the continuing education program of the respective institutions.

10. I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Norman C. Hulberg, MAI
Certified-General Appraiser #AG003542

Robert D. Hensley, MAI
Certified-General Appraiser #AG016190

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APPENDIX D

RATE AND METHOD OF APPORTIONMENT OF THE IMPROVEMENT LEVY

An Improvement Levy shall be levied and collected in Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo (the "District") each Fiscal Year, in an amount determined by the by the application of the procedures described below. All of the real property in the District, unless exempted by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

I. <u>DEFINITIONS:</u>

The terms used herein shall have the following meanings:

"Acreage" or "Acre" means that acreage shown on the Assessor's Parcel Map for each Assessor's Parcel. In the event that the Assessor's Parcel Map shows no acreage, the Acreage for any Assessor's Parcel shall be determined by the District Administrator based upon the applicable condominium plan, final map or parcel map.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of the District: the costs of computing the Improvement Levy Requirement and the annual Improvement Levy and of preparing the annual Improvement Levy collection schedules; the costs of collecting the Improvement Levies; the costs of remitting the Improvement Levies to the fiscal agent or trustee for any Bonds; the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under any Indenture; the costs of the City or designee in complying with the disclosure requirements of applicable federal and state securities laws and the California Government Code (including the Code), including public inquiries regarding the Improvement Levies the costs associated with the release of funds from any escrow account (to the extent not paid from other sources); the costs of the City or designee related to an appeal of the Improvement Levy and an allocable share of the salaries and an allocable portion of City overhead costs relating to the foregoing; the costs of the City or designee related to any rebate calculations for the District ; the costs of commencing and pursuing to completion any foreclosure action arising from delinquent Improvement Levies in the District1; the costs of the City (including its legal counsel) related to the administration of any letter of credit or other security provided for the payment of Improvement Levies or Bonds, any fees or expenses related to any such letters of credit. Administrative Expenses shall also include amounts advanced by the City for any administrative purposes of the District.

"Annual Improvement Levy Requirement" means (A) that amount with respect to The District determined by the Council or designee as required in any Fiscal Year to pay: (1) the Administrative Expenses, (2) regularly scheduled debt service for the calendar year which commences in such Fiscal Year on any outstanding Bonds, (3) any amount required to replenish any reserve fund established in connection with Bonds, (4) for reasonably anticipated delinquent Improvement Levies based on the delinquency rate for Improvement Levies levied in the previous Fiscal Year, (5) the costs of remarketing, credit enhancement and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund in lieu of cash related to any such indebtedness), (6) directly for acquisition or construction of facilities eligible to be financed by the District under the Code; and less (B) available funds as directed under the Indenture.

"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.

"Association Property" means any area designated as community association property or condominium association property on a condominium plan recorded in the Office of the County Recorder and/or any property deeded to or owned by any community association, any other applicable master association, or any condominium owners association.

"**Bond Year**" means the period from September 2 of any calendar year through September 1 of the following calendar year.

"Bonds" means any bonds or other indebtedness (as defined in the Code), whether in one or more series, secured by the levy of Improvement Levies within The District.

"City" means the City of Vallejo, County of Solano.

"Code" means the City of Vallejo Improvement District Financing Code, being Chapter 14.44, commencing with Section 14.44.010, of Title 14 of the Vallejo Municipal Code.

"Commercial Property" means any Parcel in ID 2003-1 for which a commercial use has been approved as of the January 1 preceding the Fiscal Year for which the Improvement Levy is being levied but not prior to January 1, 2003.

"Common Area" means any area designated as such, including any common area for the exclusive use of one or more owners, on a condominium plan recorded in the Office of the County Recorder as of the January 1 preceding the Fiscal Year for which the Improvement Levy is being levied but not prior to January 1, 2003.

"Condominium Residential Unit" means any condominium unit designed for use for residential purposes designated as a unit or element in a condominium plan which was recorded in the Office of the County Recorder as of the January 1 preceding the Fiscal Year for which the Improvement Levy is being levied but not prior to January 1, 2003.

"Council" means the City Council of the City, acting as the legislative body of the District.

"County" means the County of Solano, California.

"Developed Property" means, for each Fiscal Year, all Taxable Property, for which a building permit for new residential or non-residential construction was issued prior to the January 1 preceding the Fiscal Year for which the Improvement Levy is being levied.

"District" means the Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo.

"District Administrator" means an official of the City, or designee or agent or consultant, responsible for determining the Improvement Levy Requirement and providing for the levy and collection of Improvement Levies each Fiscal Year.

"Exempt Property" means all property located within the boundaries of the District which is exempt from the Improvement Levy pursuant to Section VI below.

"Fiscal Year" means the period from July 1st of any calendar year through June 30th of the following calendar year.

"Improvement Levy" means the Improvement Levy to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Improvement Levy Requirement.

"Improvement Levy Rate" means the percentage that represents a parcels share of the total Improvement Levy.

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

"Maximum Improvement Levy" means the maximum Improvement Levy, determined in accordance with Section III, which can be levied hereunder in any Fiscal Year on any Assessor's Parcel.

"Mixed Use Property" means any Parcel in ID 2003-1 for which a mixed use has been approved as of the January 1 preceding the Fiscal Year for which the Improvement Levy is being levied but not prior to January 1, 2003. Mixed use includes, but is not limited to, commercial, senior housing, assisted living, lodging and other permitted uses.

"Public Property" means property within the boundaries of the District owned by, irrevocably offered or dedicated to, or for which an easement for purposes of public or private road right-of-way has been granted to the federal government, the State of California, the County, the City, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under the Code shall be taxed and classified according to its use.

"Single Family Residential Unit" means all parcels of Developed Property with a single residential structure on a single parcel. In the case of a condominium or townhouse with common walls, each condominium or townhouse shall be considered a Single Family Residential Unit for purpose of calculating the Improvement Levy.

"Taxable Property" means all property located within the boundaries of The District which is not exempt from the Improvement Levy pursuant to Section VI below.

"Tier 1 Parcels" means Parcels 1 and 2 as shown in Table 1 of this report. This includes any parcels resulting from any consolidation, subdivision or adjustment of Parcels 1 and 2.

"Tier 2 Parcels" means Parcels 3 through 8 as shown in Table 1 of this report. This includes any parcels resulting from any consolidation, subdivision or adjustment of Parcels 3 through 8.

II. DETERMINATION OF TAXABLE PARCELS:

On *May 1* of each Fiscal Year, the District Administrator shall determine whether the Assessor's Parcel Numbers in Section III are valid Parcel numbers for the current Fiscal Year. If any Parcel numbers are no longer valid, the Administrator shall determine the new Parcel number or numbers that are in effect for the Fiscal Year. To the extent a Parcel or Parcels are subdivided, consolidated or otherwise reconfigured, the Improvement Levy Rate shall be reallocated to the new Assessor's Parcels pursuant to Section IV. At no time shall a reconfiguration of any Assessor's Parcel in ID 2003-1 result in a reduction of the total Maximum Annual Improvement Levy within the District.

III. MAXIMUM ANNUAL IMPROVEMENT LEVY - METHOD OF APPORTIONMENT:

All property shall be subject to a Maximum Annual Improvement Levy defined in the following.

The Improvement Levy shall be levied each Fiscal Year by the District Administrator. The Annual Improvement Levy Requirement shall be apportioned to each parcel within the District by the method shown below.

First.	Determine the Annual Improvement Levy Requirement.
Second.	Apply $55,049.29 prorata to the Tier 1 parcels according to the ratios described in Table 1.
Third.	Subtract $55,049.29 from the Annual Improvement Levy Requirement.
Fourth.	Apply the remainder from "Third" above to each parcel in Tier 2 according to the ratios described in Table 1.

TABLE 1
INTIAL IMPROVEMENT LEVY RATE

TIER 1 PARCELS

APN/PARCEL	Improvement Levy Rate	Initial Classification	Maximum Annual Improvement Levy
1	47.20539%	Commercial	$25,986.23
2	52.79461%	Commercial	29,063.06
TOTAL	**100.00000%**		**$55,049.29**

TIER 2 PARCELS

APN/PARCEL	Improvement Levy Rate	Initial Classification	Maximum Annual Improvement Levy
3	30.81555%	Single Family Residential	$240,654.28
4	13.37543%	Commercial	104,455.51
5	11.57869%	Mixed Use	90,423.88
6	4.62919%	Mixed Use	36,151.70
7	16.34809%	Commercial	127,670.49
8	23.25305%	Commercial	181,594.85
TOTAL	**100.00%**		**$780,950.71**

IV. REALLOCATION OF THE MAXIMUM ANNUAL IMPROVEMENT LEVY

Each Fiscal Year, all Taxable Property within the District shall be classified as Tier 1, Tier 2, Commercial Property or Residential Property and shall be subject to the Improvement Levy in accordance with the rate and method of apportionment determined pursuant to this Section.

To determine the applicable Maximum Improvement Levy, all Taxable Property shall be assigned to the applicable classification(s) set forth in Table 1. If more than one classification is applicable to a single Assessor's Parcel, the Maximum Improvement Levy for such Assessor's Parcel shall be the sum of the

Maximum Improvement Levy for each such classification. If separate ownership interests in a Condominium or Single Family Residential Unit are created resulting in the assignment of multiple Assessor's Parcels to such unit, the Improvement Levy applicable to the unit shall be allocated to each Assessor's Parcel in proportion to the respective ownership interests.

With respect to Single Family Residential Property;

First.	Determine the current total number of anticipated Single Family Residential Units. The initial number of anticipated Single Family Residential Units in parcel 3 is 133. The current number of anticipated Single Family Residential Units shall be determined by the most recent tract map of the property owner.
Second.	Divide the total Single Family Residential Improvement Levy Rate in Table 1 by the current number of anticipated Single Family Residential Units. This is the Single Family Residential Improvement Levy Rate per Single Family Residential Unit.
Third.	Apply the rate from "Second" above to each Single Family Residential parcel.
Fourth	If the number of Single Family Residential parcels to be levied in any year is less than the total number of anticipated Single Family Residential Units, any remaining total Single Family Residential Improvement Levy Rate in Table 1, not applied to a parcel, shall be applied prorata according to net acreage to any undeveloped area initially subject to the Single Family Residential Improvement Levy Rate.

If a Commercial Property subdivides in future Fiscal Years, the Improvement Levy Rate of such Subsequent Parcels shall be determined by combining (if applicable) the Improvement Levy Rate of all affected Parcels and prorating the total Improvement Levy Rate of all affected parcels to each Subsequent Parcel according to net acres.

If a Mixed Use Property subdivides in future Fiscal Years, the Improvement Levy Rate of such Subsequent Parcels shall be determined by;

First.	Combining (if applicable) the Improvement Levy Rate of all affected Parcels and prorating the total Improvement Levy Rate of all affected parcels to each Subsequent Parcel according to net acres.
Second.	If the subdivision creates any Single Family Residential Units, apportion the Improvement Levy Rate according to the Single Family Residential Property method described above.
Third.	In "Second" above, the Improvement Levy Rate in Table 1 will be replaced with the Improvement Levy Rate determined in "First" above.

If a parcel prepays the Improvement Levy under Section V hereof, the Improvement Levy Rate for the remaining parcels shall be recalculated prorata so that the total Improvement Levy Rate for all remaining parcels within Tier 1 or Tier 2 equals exactly 1 (one). If all parcels within a Tier prepay, the resulting total Improvement Levy Rate will be 0 (zero) for that Tier.

V. FORMULA FOR PREPAYMENT OF IMPROVEMENT LEVY OBLIGATIONS:

The entire Improvement Levy for a Parcel may be prepaid on any interest date by following the procedure set forth below: (There is no provision for a partial prepayment.)

a) The Parcel must not be delinquent in any payment of Improvement Levy. Prepayment hereunder shall not relieve any property owner from paying those Improvement Levies which have already become due and payable, and the Notice of Cancellation of Improvement Levy Lien shall not be recorded until those Improvement Levies have been paid.

b) An Improvement Levy prepayment must be made at least sixty (60) days prior to the next Bond Interest Payment Date, or the payoff calculation will be adjusted to the following Interest Payment Date.

c) Determine the Parcel's prorated share of its Improvement Levy responsibility by calculating the following, as of the payoff date.

$$(PR \times P) + (PR \times I) + (P \times C) + AE - LC - RC = \text{Payoff Amount}$$

PR	=	Payoff Rate
P	=	Total outstanding District bond principal
I	=	Total Interest to the next bond call date
C	=	Call premium percentage on the parcel's prepaid principal
AE	=	Administrative expenses related to the bond call
LC	=	Levy Credit for Improvement Levies paid on the current tax roll
RC	=	Reserve Fund Credit

The Payoff Rate shall be calculated by dividing the parcel's Maximum Annual Improvement Levy by the sum of all Maximum Annual Improvement Levies for all parcels subject to the Improvement Levy at the time of prepayment.

The percentage under "c" above regarding outstanding bond principal shall be applied to the total amount of outstanding bonded indebtedness of the District. The total amount of outstanding bonded indebtedness of the District shall be calculated as of the date through which principal has already been paid (Does not include Improvement Levies which have already become due and payable).

The Parcel's share of interest to the next call date on the outstanding bonds as calculated in "c" above shall be determined by calculating the Parcel's prorated share of the total outstanding bond issue's interest for the applicable six (6) month interest period as determined in "b" above.

A Levy Credit shall be given for Improvement Levies paid on the current property tax roll in payment of the Parcel's prorated share of one half of that year's Improvement Levy (principal and interest) for the applicable prepayment interest period. The Levy Credit shall commence with the 2004/2005 Fiscal Year.

A Reserve Fund Credit shall be given to the extent that the maximum annual debt service on the bonds is reduced due to a bond call resulting from the parcel's prepayment. Bonds shall be called in such a way as to maintain the ratio of outstanding bonds to originally issued bonds in each annual series insofar as possible.

VI. EXEMPTIONS

Notwithstanding any other provision of this Rate and Method of Apportionment of Improvement Levy, no Annual Improvement Levies shall be levied on Public Property, except as otherwise provided in this Section.

Any property that is classified as Public Property and was not previously and will not be classified as Developed Property shall be exempt from the Improvement Levy. Any property acquired by a public entity for development shall be subject to the Improvement Levy.

Association Property and Common Area shall not be subject to the Improvement Levy if the Improvement Levy may be reasonably collected upon the Single Family Residential Units directly related to the development creating the Association Property or Common Area. The Council shall determine if the Improvement Levy may be reasonably collected upon the Single Family Residential Units.

VII. INTERPRETATION OF RATE AND METHOD OF APPORTIONMENT

The Council reserves the right to make minor administrative and technical changes to this document that does not materially affect the rate and method of apportioning the Maximum Annual Improvement Levy. In addition, the interpretation and application of any section of this document shall be at the Council's discretion.

VIII. MANNER AND DURATION OF IMPROVEMENT LEVY

The Improvement Levy shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section V above and provided further than the City may directly bill the Improvement Levy, may collect the Annual Improvement Levy at a different time or in a different manner if needed to meet the financial obligations of the District, and may collect delinquent Annual Improvement Levies through foreclosure or other available methods.

An Improvement Levy shall be levied and collected within the District until the Bonds have been fully repaid; however, in no event shall an Improvement Levy be levied after Fiscal Year 2040.

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APPENDIX E

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

CITY CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the City of Vallejo (the "City") and Wells Fargo Bank, National Association, as Fiscal Agent (the "Fiscal Agent") in connection with the issuance by the City of $8,170,000 Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Improvement Bonds, 2003 Series A (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of December 1, 2003 (the "Fiscal Agent Agreement") by and between the City and Wells Fargo Bank, National Association. Pursuant to the Fiscal Agent Agreement, the City and the Fiscal Agent covenant and agree as follows:

Section 1. **Purpose of the Agreement.** This Disclosure Agreement is being executed and delivered by the City and the Fiscal Agent in its capacity as Dissemination Agent for the benefit of the holders and beneficial owners of the Bonds and in order to assist the underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

Section 2. **Definitions.** Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement. In addition, 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 Agreement.

"Disclosure Representative" means the City Finance Director, or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent and the Fiscal Agent from time to time.

"Dissemination Agent" means Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

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

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" means the Official Statement relating to the Bonds.

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

"Repository" means each National Repository and each State Repository.

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

"State" shall mean the State of California.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. **Provision of Annual Reports.**

(a) The City shall, or, upon furnishing the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to provide to each Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement, not later than March 31st of each year or nine (9) months after the end of the City's fiscal year, whichever is applicable, commencing March 31, 2004. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that the audited financial statements of the City, if any, may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if 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(f).

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the City shall provide the Annual Report (in a form suitable for reporting to the Repositories) to the Dissemination Agent and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). If by such date, the Fiscal Agent has not received a copy of the Annual Report, the Fiscal Agent shall notify the Disclosure Representative and the Dissemination Agent of such failure to receive the Annual Report. The City shall provide a written certification with each Annual Report furnished to the Fiscal Agent and the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Fiscal Agent and Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the Fiscal Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Fiscal Agent shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any;

(ii) provide any Annual Report received by it to each Repository, as provided herein; and

(iii) to the extent such information is known to it, file a report with the City and (if the Dissemination Agent is not the Fiscal Agent) the Fiscal Agent certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. **Content of Annual Reports.** The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements, if any, 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 ("GASB"), which financial statements may be amended or modified as provided in Section 8 hereof. If the City's audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to that used for the City's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of Bonds Outstanding as of the August 31 next preceding the Annual Report Date.

(ii) The balance in the Delinquency Maintenance Fund, if any, and the Reserve Fund, and a statement of the Reserve Requirement as of the August 31 next preceding the Annual Report Date.

(iii) The total assessed value of all parcels within the District on which the Improvement Levy has been made, as shown on the assessment roll of the Solano County Assessor last equalized prior to the August 31 next preceding the Annual Report Date.

(iv) The Improvement Levy delinquency rate as of the August 31 next preceding the Annual Report Date for all parcels within the District on which the Improvement Levies are levied, the number of parcels within the District on which the Improvement Levies are levied and which are delinquent in payment of Improvement Levies, the amount of each delinquency, the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the City; provided, however, that parcels with aggregate delinquencies of $2,000 or less (excluding penalties and interest) may be grouped together and such information may be provided by category.

(v) The status of foreclosure proceedings for any parcels within the District on which the Improvement Levies are made and a summary of the results of any foreclosure sales as of the August 31 next preceding the Annual Report Date.

(vi) The identity of any property owner representing more than five percent (5%) of the annual Improvement Levy who is delinquent in payment of such Improvement Levies, as shown on the assessment roll of the Solano County Assessor last equalized prior to the August 31 next preceding the Annual Report Date.

(vii) A land ownership summary listing property owners responsible for more than five percent (5%) of the annual Improvement Levy, as shown on the assessment roll of the Solano County Assessor last equalized prior to the August 31 next preceding the Annual Report Date.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, 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.

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

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds if material:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.

(vii) Modifications to rights of security holders.

(viii) Optional contingent or unscheduled bond calls.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the securities.

(xi) Rating changes.

(b) The Fiscal Agent shall, within five (5) business days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f); provided, however, that the Dissemination Agent shall have no liability to Bond owners for any failure to provide such notice. The Fiscal Agent shall have no responsibility for determining the materiality of any of the Listed Events.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Fiscal Agent pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable Federal securities law, provided that any event under subsection (a)(iii), (v) or (vi) hereinabove shall always be deemed to be material.

(d) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f). The City shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the Municipal Securities Rulemaking Board and each State Repository, if any.

(e) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable Federal securities law, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of listed Events described in subsection s(a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Fiscal Agent Agreement.

Section 6. **<u>Termination of Reporting Obligation.</u>** The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. **<u>Dissemination Agent.</u>** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association. The Dissemination Agent may resign by providing sixty (60) days written notice to the City and the Fiscal Agent, such resignation to become effective upon acceptance of the appointment by a successor Dissemination Agent. Upon receiving notice of such resignation, the City shall promptly appoint a successor Dissemination Agent by an instrument in writing, delivered to the Fiscal Agent. If no appointment of a successor Dissemination Agent shall be made pursuant to the foregoing provisions of this Section within seventy-five (75) days after the Dissemination Agent shall have given to the City and the Fiscal Agent written notice of its resignation, the Dissemination Agent may apply to any court of competent jurisdiction to appoint a successor Dissemination Agent. Said court may thereupon after such notice, if any, as such court may deem proper, appoint a successor Dissemination Agent. The City shall provide the Fiscal Agent with written notice of the identity of any successor Dissemination Agent compensation for its services hereunder in accordance with the schedule of fees provided to the City by the Dissemination Agent.

Section 8. **<u>Amendment; Waiver.</u>** Notwithstanding any other provision of this Disclosure Agreement, the City, the Dissemination Agent and the Fiscal Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the City, provided that the Fiscal Agent and the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases their duties and obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to 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 (as defined in the Rule) with respect to the Bonds, or type of business conducted;

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

(c) the proposed amendment or waiver (i) is approved by holders of sixty percent (60%) of the 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 nationally recognized bond counsel, materially impair the interests of holders.

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 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, or if in any instance the City does not comply with the requirements of the generally accepted accounting principles as promulgated by GASB and such noncompliance has a material effect on the financial position of the City as a whole, the annual financial information for the year in which the change is made shall contain a qualitative discussion of the differences in the accounting principles, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations, including its obligation to pay debt service on the Bonds.

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

Section 10. **Default.** In the event of a failure of the City or the Fiscal Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of the Participating Underwriter or the holders of at least 25% in aggregate principal amount of outstanding Bonds, and after adequate indemnification, shall), or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Fiscal Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Fiscal Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. **Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent.** Neither the Fiscal Agent nor the Dissemination Agent (if other than the Fiscal Agent or the Fiscal Agent in its capacity as Dissemination Agent) shall have any responsibility for the content of any Annual Report. The Dissemination Agent (if other than the Fiscal Agent or the Fiscal Agent in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, 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 such Dissemination Agent's negligence or willful misconduct. The City's obligations under this Section 11 shall survive the termination of this Disclosure Agreement and the resignation or removal of the Fiscal Agent or Dissemination Agent. Article VII of the Fiscal Agent Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were contained in the Fiscal Agent Agreement. All of the protections from liability applicable to the Fiscal Agent shall apply to the Dissemination Agent.

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

Section 13. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. **Merger.** Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

Section 15. **Notices.** All notices or communications herein required or permitted to be given to the City, the Fiscal Agent or the Dissemination Agent shall be in writing and shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telecopy or by being deposited, postage prepaid, in a post office letter box, to the addresses set forth below, or to such other address as may be provided to the other parties hereinafter listed in writing from time to time, namely:

If to the City:	City of Vallejo 555 Santa Clara Street Vallejo, CA 94590 Attn: Finance Director
If to the Fiscal Agent or the Dissemination Agent:	Wells Fargo Bank, National Association 555 Montgomery Street, 10th Floor San Francisco, CA 94111 Attention: Corporate Trust Department

Section 16. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

DATED: ____________, 2003

CITY OF VALLEJO

By:_____________________________________

Name: __________________________________

Title: ___________________________________

ACCEPTANCE OF DISSEMINATION AGENT:
The undersigned hereby accepts the designation of Dissemination Agent and agrees to further the duties set forth in Section 4(b) and (c) of the foregoing Continuing Disclosure Agreement.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: ______________________________

Authorized Signatory

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	City of Vallejo
Name of Bond Issue:	$8,170,000 Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Improvement Bonds, 2003 Series A
Date of Issuance:	December 17, 2003

NOTICE IS HEREBY GIVEN that the City of Vallejo (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement, dated as of December 1, 2003, by and between the Issuer and Wells Fargo Bank, National Association, as Fiscal Agent. The Issuer anticipates that the Annual Report will be filed by ____________.]

Dated: ______________

CITY OF VALLEJO

By: ______________________________

Title: ___________________________

cc: Fiscal Agent

LANDOWNER CONTINUING DISCLOSURE AGREEMENT

THIS LANDOWNER CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and delivered by Northgate Business Park, LLC, a California limited liability company (the "Landowner") in connection with the issuance of $8,170,000 Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Improvement bonds, 2003 Series A, dated December 17, 2003, (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the City Council of the Issuer on December 2, 2003 and a Fiscal Agent Agreement dated as of December 1, 2003 (the "Agreement"). The Landowner hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Landowner for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

"Affiliate" of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, five percent (5%) or more of the outstanding voting securities of such other Person, (b) any Person five percent (5%) or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

"Annual Report" means any Annual Report provided by the Landowner pursuant to, and as described in, Sections 3 and 4 hereof.

"Assumption Agreement" means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Agreement (as modified for such Major Owner's development and financing plans with respect to the District), whereby such Major Owner or Affiliate agrees to provide 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 District owned by such Major Owner and its Affiliates and, at the option of the Landowner or such Major Owner, agrees to indemnify the Dissemination Agent and Fiscal Agent pursuant to a provision substantially in the form of Section 11 hereof.

"Dissemination Agent" shall mean Wells Fargo Bank, National Association or any successor Dissemination Agent designated in writing by the Landowner and which has filed with the Landowner and the Issuer, a written acceptance of such designation.

"District" means the Northeast Quadrant Improvement District No. 2003-1 of the City of

Vallejo.

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

"Major Owner" shall mean an owner of land in the District responsible in the aggregate for 20% or more of the Improvement Levies levied in the District.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in the SEC website located at http://www.sec.gov/consumer/nrmsir.htm.

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

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

"Repository" means each National Repository and each State Repository.

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

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) Landowner shall, or shall cause the Dissemination Agent to, not later than December 31 of each year, commencing December 31, 2004, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement with a copy to the Fiscal Agent. Not later than fifteen (15) Business Days prior to said date, Landowner shall provide the Annual Report to the Dissemination Agent (if other than Landowner). Landowner shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Fiscal Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and Fiscal Agent may conclusively rely upon such certification of Landowner and shall have no duty or obligation to review such Annual Report. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If Landowner'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 Landowner is unable to provide to the Repositories an Annual Report by the date required in subsection (a), Landowner shall send a notice to the Municipal Securities Rulemaking

Board and appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) to the extent the Annual Report has been furnished to it, file a report with the Landowner (if the Dissemination Agent is other than the Owner) and the Fiscal Agent certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Landowner's Annual Report shall contain or incorporate by reference the following information with regard to all property owned by Landowner within the District:

(a) Relating to all property owned by the Landowner within the District (the "Owner Property"), an Annual Report identifying: (i) with respect to property within the District owned by the Landowner on which residential development is to occur (A) number of lots sold by Landowner to merchant builders (both cumulative and during the year to which the report relates); (B) number of lots still held for sale by Landowner and whether such lots are finished lots or raw land; (C) number of finished homes sold by Landowner (both cumulative and during the year to which the report relates); and (D) number of finished homes still held for sale by Landowner; and (ii) with respect to property within the District owned by the Landowner on which commercial or industrial development is to occur: (A) number of lots sold by Landowner to end users or builders; (B) number of lots owned by Landowner on which Landowner has constructed improvements; and (C) number of lots owned by Landowner on which no construction has occurred.

(b) Any significant changes in the information contained in the Official Statement under applicable provisions of the heading "THE DISTRICT."

(c) A description of the status of development on each parcel owned by the Landowner within the District.

(d) A description of any sales of property within the District by the Landowner since the previous Annual Report, and the status of any land purchase contracts with regard to property within the District and owned by the Landowner.

(e) A description of any change in the legal structure of the Landowner.

(f) Any failure by the Landowner to pay when due general property taxes or Improvement Levies with respect to its property in the District.

(g) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions with respect to property within the District owned by the Landowner that are necessary to complete the development plan.

(h) For land held by the Landowner for lease or rental, the square footage leased or rented and the square footage vacant during the period of reporting.

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 Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Landowner shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) bankruptcy or insolvency proceedings commenced by or against Landowner or a partner or affiliate;

(ii) failure to pay any property taxes or Improvement Levies for a period of 60 days or more after the same are due with respect to the property owned by Landowner within the District;

(iii) filing of a lawsuit with respect to property owned by Landowner within the District seeking damages in excess of $1,000,000.

(b) Whenever the Landowner obtains knowledge of the occurrence of a Listed Events, the Landowner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Landowner determines that the occurrence of a Listed Event would be material under applicable Federal securities law, the Landowner shall promptly file, or shall cause the Dissemination Agent to file, a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository.

Section 6. Termination of Reporting Obligation.

(a) All of the Landowner's obligations hereunder shall terminate (except as provided in Section 11 hereof) upon the legal defeasance, prior redemption or payment in full of all of the Bonds. The Landowner's obligations hereunder shall be suspended for any year in which owns property in the District responsible for less than twenty percent (20%) of the Improvement Levies payable in such year. Upon the occurrence of any such termination or suspension prior to the final maturity of the Bonds, the Landowner shall give notice of such termination or suspension in the same manner as for a Listed Event under Section 5.

(b) If a portion of the property in the District owned by the Landowner, or any Affiliate of

Landowner, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of Landowner hereunder with respect to the property in the District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof and the Landowner obligations hereunder will be terminated. In order to effect such assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement. This paragraph (b) shall not apply to Major Owners who will be end users of the property conveyed.

Section 7. Dissemination Agent. The Landowner may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer, Landowner and the Fiscal Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, Landowner may amend the Continuing Disclosure provisions of this Disclosure Agreement, and any Continuing Disclosure provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied (provided, neither the Fiscal Agent nor the Dissemination Agent shall 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 Sections 3(a), 4 or 5(a) hereof, it may 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 (as defined in the Rule) with respect to the Bonds, or type of business conducted;

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

(c) the proposed amendment or waiver (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement or amendments to 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 holders or beneficial owners of the 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 Landowner to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

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

Section 10. Default. In the event of a failure of the Landowner to comply with any continuing disclosure provisions of this Disclosure Agreement, 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 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 Landowner to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Landowner to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Fiscal Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Landowner agrees to indemnify and save the Dissemination Agent and the Fiscal Agent, their 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 their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation for its services provided hereunder in accordance with its schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Fiscal 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 District, the Issuer, the Landowner, the bond owners, or any other party. The obligations of the Landowner under this Section shall survive resignation or removal of the Dissemination Agent or Fiscal Agent and payment of the Bonds.

Section 12. **Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Landowner (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriters 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 Landowner hereunder shall be assumed by any legal successor to the obligations of the Landowner as a result of a sale, merger, consolidation or other reorganization.

Section 13. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

NORTHGATE BUSINESS PARK, LLC,
a California limited liability company

By: Mandarich Developments
Its: Manager

By: ____________________________
Gary L. Mandarich - President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:________________________________
Authorized Signatory

EXHIBIT A

NOT ICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	Northgate Business Park, LLC
Name of Bond Issue:	Northeast Quadrant Improvement District No. 2003-1 of the City of Vallejo Improvement Bonds, 2003 Series A
Date of Issuance:	December 17, 2003

NOTICE IS HEREBY GIVEN that the Landowner has not provided an Annual Report with respect to the above-named Bonds as required by the Landowner Continuing Disclosure Agreement. The Landowner anticipates that the Annual Report will be filed by ____________________.

Dated:______________

LANDOWNER

By: ______________________________

APPENDIX F
FORM OF BOND COUNSEL OPINION

(Jones Hall Letterhead)

December 17, 2003

The Honorable City Council
City of Vallejo
555 Santa Clara Street
Vallejo, California 94951

OPINION: $8,170,000 Improvement Bonds, Northeast Quadrant Improvement District 2003-1 of the City of Vallejo, Series 2003

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Tracy (the "City") of its $8,170,000 Improvement Bonds, Northeast Quadrant Improvement District 2003-1 of the City of Vallejo, Series 2003 Bonds (the "Bonds") pursuant to the City of Vallejo Improvement District Financing Act, Chapter 14.44, commencing with Section 14.44.010, of Title 14 of the Vallejo Municipal Code (the "Act"), a resolution adopted December 2, 2003 (the "Resolution") and a Fiscal Agent Agreement, dated as of December 1, 2003 by and between the City and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent Agreement"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution, the Fiscal Agent Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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

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

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

3. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds.

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

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinion set forth in the preceding sentence is 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 issuance of the Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

WULFF, HANSEN & CO.
ESTABLISHED 1931
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201 SANSOME STREET, 4TH FLOOR
SAN FRANCISCO, CA 94104
(415) 421-8900