

June 9, 2017

Mr. Robb Steel, Assistant City Manager/Development Services Director
City of Rialto
131 South Riverside Avenue
Rialto, CA 92376

Via E-Mail: rsteel@rialto.ca.gov

RE: Disclosure Statement for Lytle Development (Project No. 17188)

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, as a municipal advisor, Fieldman, Rolapp & Associates, Inc. (“Fieldman”) has a fiduciary duty to the City of Rialto (the “Client”) with respect to the municipal advisory services we provide to the Client. Under new Municipal Securities Rulemaking Board Rules G-42(b) and (c), we are providing this disclosure statement (“Disclosure Statement”) to you which includes our scope of services (including activities not included within the scope), a description of the form and basis of our compensation, a description of the term of our engagement, a description of actual or potential conflicts of interest, and a description of how to access our SEC Form MA and the Forms MA-I for our professionals. We will provide a definitive agreement relating to our relationship prior to, upon or promptly after the establishment of a municipal advisory relationship (the “Agreement”).

While it is not required that you acknowledge receipt of this Disclosure Statement, we would appreciate acknowledgement as an indication that you understand the disclosures made herein.

The Project

Services to be Provided

We have been retained by the Client to provide financial advisory services related to one or more CFD formations related to the Lytle Development as well as the anticipated issuance of one or more series of CFD bonds (the “Project”). The Agreement describes in detail the scope of our Services, including any limitations on our Services.

Form and Basis of Compensation

The Agreement describes the form and basis of our compensation.

Representations and Conflict of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to all material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable. With respect to all aspects of the relationship between Fieldman and the Client, Fieldman adheres to its fiduciary duty to the Client, which includes a duty of loyalty to the Client in performing all municipal advisory activities for the Client. The duty of loyalty obligates Fieldman to deal honestly and with the utmost good faith with the Client and to act in the Client’s best interest without regard to any interest Fieldman has or may have. Fieldman has a wide range of clients so our success and profitability are not dependent on maximizing short-term revenue generated from individual recommendations to our clients but is instead dependent on long-term profitability based on a foundation of integrity, quality and adherence to our fiduciary duty. Furthermore, Fieldman’s supervisory structure provides strong safeguards against individual representatives of Fieldman violating their duty due to personal interests.

Fieldman makes the following representations to the Client with regard to the Services:

- A. Other than the compensation to be paid to Fieldman, we have no other interest, direct or indirect, that would interfere with or impair in any matter or degree the performance of our obligations. During our work on the Services, we do not intend to acquire or obtain any such interest, direct or indirect. If any such interest is acquired or obtained, we will immediately advise the Client.

- B. We have not provided any gift or consideration to any officer, employee or agent of the Client to either obtain the Agreement or any assignment from the Client, including the Services. Neither our firm, nor its officers or employees will provide any such gift or consideration to any officer, employee or agent of the Client to influence decisions with regard the Services or our obligations under the Agreement.
- C. The compensation agreed to between the Client and Fieldman for our Services has attributes that can potentially create conflicts of interest which we outline below:
- A conflict may arise to the extent that our compensation for the Services is based on the size of the Project and/or is contingent on the completion of the Project. While this form of compensation is customary in the market for financial services to municipal entities, this may present conflict of interest as we would have an incentive to recommend to the Client the Project even if it is unnecessary or provides insufficient benefit or advise the Client to increase the size of the Project. This potential conflict is mitigated by Fieldman's fiduciary duty to the Client.
- D. The Client has employed or may employ Applied Best Practices, LLC, an affiliated entity to us, with regard to the performance of its continuing disclosure obligations. This relationship has the potential to result in a conflict of interest by creating an incentive for Fieldman to recommend to the Client a course of action that would increase the Client's business activity with the affiliated entity or conversely that would discourage a course of action that would decrease the Client's business activity with the affiliated entity. The conflict is mitigated by Fieldman's fiduciary duty to the Client. Moreover, if Fieldman makes a recommendation that could influence the level of business with an affiliated entity, Fieldman will consider alternatives to the recommendation, which will be disclosed to the Client. Moreover, the affiliated entities are each subject to regulation by the MSRB and the SEC.

Information Regarding Legal Events and Disciplinary Actions

MSRB Rule G-42 requires that municipal advisors provide their clients disclosures of legal or disciplinary events material to the evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel. Fieldman sets out required disclosures and related information below:

- A. There are no legal or disciplinary events material to the Client's evaluation of Fieldman or the integrity of Fieldman's management or advisory personnel disclosed, or that should be disclosed, on any Form MA or Form MA-I with the Securities and Exchange Commission (the "SEC").

Fieldman's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at <http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001612429>



We invite you to discuss any questions relating to items raised in this letter. We have enjoyed our relationship with the City and look forward to a fruitful and beneficial outcome for the Project.

Sincerely,

FIELDMAN, ROLAPP & ASSOCIATES, INC.

A handwritten signature in black ink, appearing to read "Anna Sarabian", written over a light blue horizontal line.

Anna V. Sarabian, Principal
Direct: (949) 660-7308
asarabian@fieldman.com

Receipt Acknowledged:

CITY OF RIALTO

By: _____

Title: _____

Date: _____