

ATTACHMENT # 6

RECORDED AT REQUEST OF AND
WHEN RECORDED RETURN TO:

CITY OF MERCED
City Clerk
678 W. 18th Street
Merced, CA 95340

EXEMPT FROM RECORDER'S FEES PURSUANT TO
GOVERNMENT CODE SECTIONS 6103 AND 27383

Space above this line for Recorder's Use Only

SUBDIVISION IMPROVEMENT AGREEMENT
(CFD Condition)
(Bonds as Security)

THIS AGREEMENT, made and entered into _____, 20__, between the City of Merced, a California Charter Municipal Corporation, hereinafter called "City," and Hostetler Investments, LLC, a California Limited Liability Company, hereinafter called "Subdivider," relates to the installation of improvements within Tentative Map No. 1335, Bellevue Ranch North Village 24A Subdivision, Tract Number 5431, located at 5813 G Street, Merced, California 95348 in the County of Merced (the "Subdivision").

RECITALS

A. The Planning Commission of City, on April 20, 2025, adopted Resolution No. 4148 approving the tentative map of the above mentioned Subdivision ("Resolution of Approval"), subject to the Subdivision Laws and to the requirements and conditions contained in the Resolution of Approval. The Resolution of Approval is on file in the Office of the City Clerk and is incorporated into this agreement by reference.

B. Subdivider has submitted for approval the final map of said Subdivision in full compliance with the Subdivision Map Act of the State of California and City subdivision ordinances. The Subdivision Map Act and City ordinances and regulations relating to the filing, approval and recordation of subdivision maps are collectively referred to in this Agreement as the "Subdivision Laws."

C. Final Map Application Number 5431 was submitted by the subdivider on October 29, 2025. A complete Final Map Application (including all bonds and insurance) was filed with the City on May 1, 2026

D. The Subdivision Laws establish as a condition precedent to the approval of a final map that Subdivider must have complied with the Resolution of Approval and must have either (a) completed, in compliance with City standards, all the improvements and land development work required by the Subdivision Laws and the Resolution of Approval or, (b) have entered into a secured Agreement with City to complete the Improvements and land development within a period of time specified by City.

E. Section 18.24.100 of the Merced Municipal Code requires certain improvements to be installed within said Subdivision.

E. The "Subdivision Map Act" and Section 18.24.150 of the Merced Municipal Code require certain security to guarantee the installation of said improvements.

F. Inspection fees required in accordance with Section 18.24.110 of the Merced Municipal Code have been paid.

G. Condition of Approval No. 9 of the Resolution of Approval requires the Subdivider to have annexed into the City's Community Facilities District (CFD) for public safety, maintenance, and other services (CFD No. 2003-2) prior to obtaining a Final Map for the Subdivision. This Subdivision was annexed to the City's CFD for Services (No. 2003-2) as part of Annexation No. 24, Improvement Area No. 41).

H. In consideration of approval of a final map for the Subdivision by the City Council, Subdivider desires to enter into this Agreement, whereby Subdivider promises to install and complete, at Subdivider's own expense, all the public improvement work required by CITY as described in the Resolution of Approval in connection with the proposed subdivision. Subdivider has secured this Agreement by improvement security required by the Subdivision Laws and approved by the City Attorney.

I. Complete improvement plans for the construction; installation and completion of the improvements required by the Resolution of Approval

have been prepared by Subdivider and approved by the City Engineer ("Improvement Plans"). The Improvement Plans are on file in the Office of the City Engineer and are incorporated into this Agreement by this reference. All references in this Agreement to the Improvement Plans shall include reference to any specifications for the Improvements as approved by the City Engineer. The facilities to be constructed pursuant to the Improvement Plans shall be known as the "Improvements."

J. An estimate of the cost of construction of the Improvements according to the Improvement Plans has been made and had been approved by the City Engineer. The estimated amount is stated in the Recitals of this Agreement. The basis for the estimate is attached as Exhibit "A" to this Agreement.

K. The City has adopted standards for the construction and installation of improvements within the City. The Improvement Plans have been prepared in conformance with the City standards in effect on the date of approval of the Resolution of Approval.

L. Subdivider recognizes that by approval of the final map for Subdivision, City has conferred substantial rights upon Subdivider, including the right to sell, lease, or finance lots within the Subdivision, and has taken the final act necessary to subdivide the Property within the Subdivision. As a result, City will be damaged to the extent of the cost of installation of the Improvements by Subdivider's failure to perform its obligations under this Agreement, including, but not limited to, Subdivider's obligation to complete construction of the Improvements by the time established in this Agreement. City shall be entitled to all remedies available to it pursuant to this Agreement and the Subdivision Laws in the event of a default by Subdivider. It is specifically recognized that the determination of whether a reversion to acreage or rescission of the Subdivision constitutes an adequate remedy for default by the Subdivider shall be within the sole discretion of City.

Based upon the foregoing recitals, and in consideration of the mutual covenants, promises, and agreements herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged and agreed, the parties hereto mutually agree as follows:

AGREEMENT

1. SUBDIVIDER'S OBLIGATIONS; AGREEMENT TO CONDITIONS IMPOSED

A. Subdivider, for himself and all successors thereto, acknowledges and agrees to comply with all requirements of the Resolution of Approval, and any amendments thereto, and all conditions imposed in the Resolution of Approval approving the Tentative Map as identified in Recital A above and with the provisions of the Subdivision Laws in furnishing, constructing and installing the Improvements.

2. IMPROVEMENTS

A. Subdivider agrees to cause all improvements to be made, constructed, installed, and completed in said Subdivision, at Subdivider's sole expense, within twelve (12) months of the date of City approval of this Agreement, in full compliance with the Resolution of Approval, the requirements of approved Tentative Map, the Conditions of Approval thereto, and the City's "Standard Designs for Common Engineering Structures," and with the improvement plans approved by City and any changes or alterations in such work required by City, and to pay for any materials, provisions, or other supplies used in, upon, for, or about the performance of said work, and for any work or labor done thereon of any kind, and any amounts due under the Unemployment Insurance Act with respect to such work or labor.

B. If the Improvements to be constructed include monumentation, such monumentation shall be installed within thirty (30) days after the completion and acceptance of the Improvements by the City.

C. The Subdivider may request an extension of time to complete the terms hereof. Such request shall be submitted to the City in writing no less than thirty (30) calendar days before the expiration date hereof and shall contain a statement of circumstances necessitating the extension of time. The City shall have the right to review the provisions of this Agreement, including the construction standards, cost estimate, and improvement security, and to require adjustments therein if any substantial change has occurred during the term hereof.

D. Subdivider shall replace or have replaced, or repair or have repaired, as the case may be, all Improvements, public utility facilities and surveying or subdivision monuments which are destroyed or damaged as a result of any work under this Agreement at its sole expense. Subdivider shall bear the entire cost of replacement or repairs of any and all public or public utility property damaged or destroyed by reason of any work done under this Agreement, whether such property is owned by the United States or any agency thereof, or the State of California, or any agency or political subdivision thereof, or by the City or any public or private utility corporation or by any combination of such owners. Any repair or replacement shall be to the satisfaction, and subject to the approval, of the City Engineer.

E. Until such time as the Improvements are accepted by City, Subdivider shall be responsible for and bear the risk of loss to any of the Improvements constructed or installed. Until such time as all Improvements required by this Agreement are fully completed and accepted by City, Subdivider will be responsible for the care, maintenance of, and any damage to such improvement. City shall not, nor shall any officer or employee thereof, be liable or responsible for any accident, loss or damage, regardless of cause, happening or occurring to the work or Improvements specified in this Agreement prior to the completion and acceptance of the work or Improvements. All such risks shall be the responsibility of and are hereby assumed by Subdivider.

F. If the Subdivider fails or neglects to comply with the provisions of this Agreement, the City shall have the right at any time to cause said provisions to be met by any lawful means, and thereupon recover from the Subdivider and/or his surety the full cost and expense incurred.

3. SECURITY—FILING OF THE SAME

The Subdivider shall at all times guarantee Subdivider's performance of this Agreement by furnishing to City, and maintaining, good and sufficient security as required by the Subdivision Laws on forms approved by City as set forth in Exhibit "A" for the purposes and in the amounts as follows:

A. To secure faithful performance of this Agreement, security in an amount equal to one hundred (100%) percent of the estimated cost of the work as determined by the City shall be filed with the City prior to the Final

Map application being considered complete or action on the same by the City Council.

B. To secure payment to the contractor, his subcontractors, and to persons furnishing labor, materials, or equipment to them, security in an amount equal to fifty (50%) percent of the estimated cost of the work as determined by the City shall be filed with the City prior to the Final Map application being considered complete or action on the same by the City Council.

C. To secure the guarantee and warranty of the work for a period of one (1) year following the completion and acceptance of the work, security in an amount equal to fifteen (15%) percent of the estimated cost of the work as determined by the City shall be filed with the City prior to final acceptance of the work by the City.

D. To secure payment of the cost of setting of monuments, security in an amount equal to one hundred (100%) percent of the estimated cost of setting such monuments as determined by the City shall be filed with the City prior to the Final Map application being considered complete or action on the same by the City Council.

E. If security is furnished in the form of a bond or bonds, such bonds shall be executed by a corporate surety company authorized to transact surety business in the State of California. Liability for security furnished as described herein shall be limited as set forth in Government Code Sections 66499.9 and 66499.10.

F. In order to ensure that the amount of security posted pursuant to this Agreement is sufficient to pay for one hundred percent (100%) of the estimated cost of the work, on or after the first-year anniversary of the effective date of the Agreement and upon written notice from the City, Subdivider shall post additional security in an amount equal to the increase in the Engineering News Record Construction Cost Index (the "Index") from the effective date of the Agreement. Subdivider shall post such additional security no later than thirty (30) days from the date of the notice from City. Thereafter, on or after twelve (12) months have passed from the date of the last increase in the amount of security that the Subdivider was required to post, upon written notice from the City, Subdivider shall post additional security in an amount equal to the increase in the Index from the date of the last increase in the amount of security. Such additional security shall

be posted no later than thirty (30) days from the date of the City's notice to Subdivider.

4. SECURITY—RELEASE OF THE SAME

A. Release of Securities shall be as follows:

1. Security given for faithful performance may be released forty-five (45) days after recording Notice of Completion of the work provided that evidence of recording of the Notice of Completion has been furnished to the City, the City has finally accepted the work, and provided the security has been furnished to the City to guarantee and warrant the work for one (1) year following the date of such acceptance of the work.

2. Security securing the payment to the contractor, his subcontractors, and to persons furnishing labor, materials, or equipment may be released six (6) months after recording Notice of Completion provided no claims have been filed with the City in accordance with the Subdivision Map Act.

3. The security guaranteeing that the completed work remains satisfactory during the required one-year warranty period may be released upon correction, by Subdivider, of any defects in the work existing at the end of the warranty period.

4. Monument security may be released in accordance with the provisions of Section 66497 of the Government Code.

B. In the event that improvements do not conform to the plans and specifications or defects are not corrected within the time limits specified by City, the City shall have the authority to order the necessary work done and to recover the cost of such work, as well as any costs of enforcing such obligation, including attorney fees, from the Subdivider and the Subdivider's surety or the financial institution providing the Instrument of Credit.

5. INSPECTION

A. Subdivider shall at all times maintain proper facilities and safe access for inspection of the Improvements by the City Engineer and other City personnel and inspection consultants.

B. Upon completion of the work the Subdivider may request a final inspection by the City Engineer, or the City Engineer's authorized representative. If the City Engineer, or the designated representative, determines that the work has been completed in accordance with this Agreement, then the City Engineer shall certify the completion of the Improvements to the City Council. No Improvements shall be finally accepted unless aspects of the work have been inspected and determined to have been completed in accordance with the Improvement Plans and City standards. Improvements installed without inspection by the City shall be subject to rejection.

C. Subdivider shall bear all costs of inspection and certification. Subdivider shall pay to City an amount equal to three (3) percent of the total estimated cost of the improvements as determined by City to cover the cost of inspection.

D. Inspection by the City shall in no way relieve the Subdivider or its sureties of full responsibility for defective materials or workmanship. Any costs associated with testing of improvements shall be paid by the Subdivider in advance of the testing.

E. Neither final inspection nor acceptance of any public improvements for said Subdivision will be permitted prior to receipt by City of sufficient monies to cover the cost of testing and inspection exceeding the above deposit.

6. FULFILLMENT OF CONDITIONS OF APPROVAL

A. Condition of Approval No. 9 of the Resolution of Approval requires Subdivider to have formed a CFD prior to obtaining approval of a Final Map for Subdivider's project. Bellevue Ranch North, including Village 24A, was annexed into Community Facilities District 2003-2 (Services), Annexation No. 24, Improvement Area No. 41, approved by Merced City Council on November 21, 2025. Therefore, this condition has been satisfied. Condition No. 43 requires the Developer to establish a Homeowner's Association (HOA) or approved alternative governing this project. The HOA or any Conditions, Covenants, and Restrictions (CC&R's) shall be reviewed and approved by the City Attorney

B. In accommodating Subdivider's request, City requires Subdivider to refrain from taking any action or actions which may limit or

restrict City's ability to form the CFD and impose the special tax. In the event Subdivider breaches these conditions, Subdivider agrees City may withhold all further building and occupancy permits relating to the Subdivision until the CFD is formed and the special tax levied. Subdivider agrees to compensate City for all costs and expenses related to enforcing this provision and for the amount of any special taxes lost as a result of Subdivider's breach.

C. Subdivider acknowledges that, by agreeing to participate in the formation of the CFD, a notice of special tax lien shall be recorded against the lots within the Subdivision after the election becomes effective.

7. DELAYED ACCEPTANCE OF LANDSCAPED AREAS AND STORM DRAIN FACILITIES

A. City and Subdivider agree that it is in the best interest of the parties hereto that the landscape and storm drain facilities, which will be installed by Subdivider on the Subdivision and dedicated to the City, shall be fully maintained by Subdivider at Subdivider's sole expense until at least fifty percent (50%) of the lots in Project contain dwelling units that are occupied by residents paying the applicable Community Facilities District tax.

B. Once the 50% threshold for occupancy of dwellings in the Subdivision and payment of CFD taxes has been met, the City shall notice Subdivider of the date that the City will accept the landscaped areas and storm drain facilities. On and after the date that the City actually accepts such landscaped areas and storm drain facilities, the Community Facilities District shall be responsible for the maintenance thereafter, except for any remaining warranty or maintenance work to be performed by the Subdivider, the Subdivider's surety or their respective agents.

8. SAFETY

A. Subdivider shall perform all work in accordance with the applicable sections of Title 8 of the California Code of Regulations (CAL OSHA), and the "WATCH" (Work Area Traffic Control Handbook) published by Building News, Inc., and available at the City Engineer's office. Provisions shall be made by Subdivider for protection of the traveling public on all public roads affected by the improvements.

B. Barricades and related facilities shall be placed in such number and in such locations as for public safety, and at night they shall be equipped with flashing yellow lights, to the satisfaction of the City Engineer. City reserves the right to require, and Subdivider shall promptly install or place additional barricades or other facilities to assure public safety if City shall deem the same to be necessary or desirable for public safety.

C. Until final acceptance of the Improvements, Subdivider shall give good and adequate warning to the public of each and every dangerous condition existent in said Improvements and will take all reasonable actions to protect the public from such dangerous condition.

D. Subdivider is responsible for all liability which may arise out of work herein permitted whether or not public property, and shall indemnify, protect, defend, and hold City harmless from any and all claims, damages (including injury or death to any person or persons), or causes of action arising therefrom or related thereto.

9. INDEMNITY

A. The Subdivider shall take and assume all responsibility for the construction of the improvements and the safety of operation in connection therewith. The Subdivider shall bear all losses and damages directly or indirectly resulting to the City, its officers, employees, and agents or others on account of the construction of the improvements, unforeseen difficulties, accidents, or any other causes whatsoever.

B. The Subdivider shall protect, assume the defense of and indemnify and save harmless the City, its officers, employees, and agents from all claims, loss, damage, injury—including the death of any person or persons, and liability of every kind, nature, and description, directly or indirectly arising from the construction of the improvements.

C. The Subdivider shall indemnify, protect, defend, (with counsel selected by the City), and hold harmless the City, and any agency or instrumentality thereof, and any officers, officials, employees, or agents thereof, from any and all claims, actions, suits, proceedings, or judgments against the City, or any agency or instrumentality thereof, and any officers, officials, employees, or agents thereof to attack, set aside, void, or annul, an approval of the City, or any agency or instrumentality thereof, advisory agency, appeal board, or legislative body, including actions approved by

the voters of the City, concerning the project and the approvals granted herein. This indemnification and agreement to hold harmless shall extend to injuries to persons and damages or taking of property resulting from the design or construction of said Subdivision, and the Improvements as provided herein, and in addition, to adjacent property owners as a consequence of the diversion of waters from the design or construction of public drainage systems, streets and other Improvements.

D. Acceptance by the City of the Improvements shall not constitute an assumption by the City of any responsibility for the design or construction of the Subdivision or the Improvements pursuant to the approved improvement plans or map, regardless of any negligent action or inaction taken by the City in approving the plans or map, unless the particular improvement design was specifically required by City over written objection by Subdivider submitted to the City Engineer before approval of the particular improvement design, which objection indicated that the particular improvement design was dangerous or defective and suggested an alternative safe and feasible design. After acceptance of the Improvements, the Subdivider shall remain obligated to eliminate any defect in design or dangerous condition causes by the design or construction defect; however, Subdivider shall not be responsible for routine maintenance.

E. It is the intent of this action that Subdivider shall be responsible for all liability for design and construction of the Improvements installed or work done pursuant to this Agreement and that City shall not be liable for any negligence, nonfeasance, misfeasance or malfeasance in approving, reviewing, checking, or correcting any plans or specifications or in approving, reviewing or inspecting any work or construction.

F. Furthermore, the Subdivider shall indemnify, protect, defend, and hold harmless the City, or any agency or instrumentality thereof, against any and all claims, actions, suits, proceedings, or judgments against any governmental entity in which Subdivider/applicant's project is subject to that other governmental entity's approval and a condition of such approval is that the City indemnify and defend (with counsel selected by the City) such governmental entity. City shall promptly notify the Subdivider of any claim, action, suits, or proceeding. Subdivider shall be responsible to immediately prefund the litigation cost of the City including, but not limited to, City's attorney's fees and costs. If any claim, action, suits, or proceeding is filed challenging this approval, the Subdivider shall be

required to execute a separate and formal defense, indemnification, and deposit agreement that meets the approval of the City Attorney and to provide all required deposits to fully fund the City's defense immediately but in no event later than five (5) days from that date of a demand to do so from City. In addition, the Subdivider shall be required to satisfy any monetary obligations imposed on City by any order or judgment.

G. Subdivider shall pay and satisfy any judgment, award or decree that may be rendered against City to the extent of the indemnity provided above, in any such suit, action, or other legal proceeding, provided City gives Subdivider prompt written notice of such claim.

H. Subdivider's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by City.

I. Subdivider, on behalf of itself and all parties claiming under or through it, hereby waives all rights of subrogation and contribution against City to the extent of the indemnity above provided.

J. The provisions of this Section shall survive expiration or termination of this Agreement.

10. PREVAILING WAGES

A. Subdivider acknowledges that City has made no representation, express or implied, to Subdivider or any person associated with Subdivider regarding whether or not laborers employed relative to the construction of the improvements to be constructed pursuant to this Agreement must be paid the prevailing per diem wage rate for their labor classification, as determined by the State of California, pursuant to Labor Code Section 1720, *et seq.* ("Prevailing Wage Laws"). Subdivider agrees with City that Subdivider shall assume any and all responsibility and be solely responsible for determining whether or not laborers employed relative to the construction undertaken pursuant to this Agreement must be paid the prevailing per diem wage rate pursuant to the Prevailing Wage Laws or other applicable law.

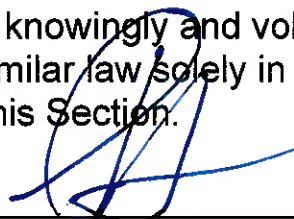
B. Subdivider, on behalf of itself, its successors, and assigns, waives and releases City from any right of action that may be available to any of them pursuant to Labor Code Section 1781 or any similar law. Relative to the waiver and release set forth in this Section, Subdivider

acknowledges the protections of Civil Code Section 1542, which reads as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

By initialing below, Subdivider knowingly and voluntarily waives the provisions of Section 1542 or any similar law solely in connection with the waivers and releases contained in this Section.

Initials of
City Manager



Initials of Authorized
Subdivider Representative

C. Subdivider shall indemnify, hold harmless and defend City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Subdivider, its contractor(s) and subcontractors) to pay prevailing wages as required by law or to comply with the other applicable provisions of Labor Code Sections 1720 *et seq.* and implementing regulations of the Department of Industrial Relations in connection with construction and installation of the improvements required pursuant to this Agreement. Subdivider's defense of the City shall be provided by counsel reasonably acceptable to the City.

D. The section shall survive any termination of this Agreement.

11. INSURANCE

A. Subdivider further agrees that before commencing any work pursuant to this Agreement, Subdivider shall obtain, and at all times prior to final acceptance of all improvements hereunder, keep in full force and effect, insurance coverage in such limits and amounts, and covering such risks as shall be acceptable to City.

B. All policies of insurance must be issued by a company that is either:

- (1) Admitted to transact insurance business in the State of California;
- (2) On the "LESLI List," (i.e., the List of Eligible Surplus Line Insurers); or,
- (3) In the form of a risk retention group ("RRG") so long as the RRG contains at least \$750,000 in capital, has been in operation for at least one year, and the reinsurance agreement associated with the RRG contains AM Best A rated insurers with an attachment point of \$250,000 or less.

C. All insurance companies must have an A.M. Best's rating of at least A- and a financial size of IX or X. All required policies shall contain an endorsement adding the Indemnified Parties under the agreement, specifically including but are not limited to, the City, its officers, employees, and agents, as additional insureds. The required policies shall stipulate that this insurance will operate as primary insurance for work performed by Subdivider and its sub-contractors, and that no other insurance effected by City or other named insureds will be called on to cover a loss covered thereunder. The General Liability insurance shall be provided by an ISO Commercial General Liability policy, with edition dates of 1985, 1988, or 1990. The additional insured endorsement required hereunder must be issued using ISO form CG 20 10 11 85, or the same form with an edition date no later than 1990. In lieu of CG 20 10 11 85, City will accept alternate additional insured endorsements on ISO forms CG 20 10 10 01 and CG 20 37 10 01, but only if both forms are used together and provided to City. The minimum coverage and limits shall be as follows:

COVERAGE	LIMITS
Workers Compensation	Statutory
Comprehensive General Liability, including or separately insuring liability assumed by contract	
Bodily Injury	\$2,000,000 per person \$2,000,000 per occurrence
Property Damage	\$ 500,000 per occurrence

D. Subdivider shall, prior to commencement of construction work, furnish to City a certificate of insurance, which shall provide that the above

insurance shall not be cancelled without thirty (30) days prior written notice to City. Prior to acceptance of the improvements, the Subdivider shall provide the City with a copy of the endorsements required herein.

12. WARRANTY

Subdivider shall guarantee or warranty the work done pursuant to this Agreement for a period of one year after final acceptance by the City Council of the work and Improvements against any defective work or labor done or defective materials furnished. Where certain Improvements are to be constructed in phases or sections, the one year warranty period shall commence after City acceptance of the last completed portion of the Improvements. If within the warranty period any work or Improvement or part of any work or Improvement done, furnished, installed, constructed or caused to be done, furnished, installed or constructed by Subdivider fails to fulfill any of the requirements of this Agreement or the Improvement Plans, Subdivider shall without delay and without any cost to City, repair or replace or reconstruct any defective or otherwise unsatisfactory part or parts of the work or structure. Should Subdivider fail to act promptly or in accordance with this requirement, Subdivider hereby authorizes City at City option, to perform the work 20 days after mailing written notice of default to Subdivider and to Subdivider's and agrees to pay the cost of such work by City. Should the City determine that an urgency requires repairs or replacements to be made before Subdivider can be notified, City may, in its sole discretion, make the necessary repairs or replacement or perform the necessary work and Subdivider shall pay to City the cost of such repairs.

13. AS-BUILTS

Subdivider shall submit one (1) reproducible print (mylar) of the improvements "as-built plans" to City prior to release of securities.

14. SALE OR DISPOSITION OF SUBDIVISION

Sale or other disposition of the Subdivision or property in the Subdivision will not relieve Subdivider from the obligations set forth herein. If Subdivider sells the Property or any portion of the Property within the Subdivision to any other person, the Subdivider may request a novation of this Agreement and a substitution of security. Upon approval of the novation and substitution of securities, the Subdivider may request a release or reduction of the securities required by this Agreement. Nothing

in the novation shall relieve the Subdivider of the obligations under this Agreement for the work or improvement done by Subdivider.

15. NOTICE OF COMPLETION

City shall record a Notice of Completion with the Merced County Recorder immediately following City's acceptance of the improvements.

16. DEFAULT OF SUBDIVIDER

A. Default of Subdivider shall include, but not limited to: (1) Subdivider's failure to timely commence construction of this Agreement; (2) Subdivider's failure to timely complete construction of the Improvements; (3) Subdivider's failure to timely cure any defect in the Improvements; (4) Subdivider's failure to perform substantial construction work for a period of 20 calendar days after commencement of the work; (5) Subdivider's insolvency, appointment of a receiver, or the filing of any petition in bankruptcy either voluntary or involuntary which Subdivider fails to discharge within thirty (30) days; (6) the commencement of a foreclosure action against the Subdivision or a portion thereof, or any conveyance on lieu or in avoidance of foreclosure; or (7) Subdivider's failure to perform any other obligation under this Agreement.

B. The City reserves to itself all remedies available to it at law or in equity for breach of Subdivider's obligations under this Agreement. The City shall have the right, subject to this Section, to draw upon or utilize the appropriate security to mitigate City damages in event of default by Subdivider. The right of City to draw upon or utilize the security is additional to and not in lieu of any other remedy available to City. It is specifically recognized that the estimated costs and security amounts may not reflect the actual cost of construction or installation of the Improvements and, therefore, City damages for Subdivider's default shall be measured by the cost of completing the required Improvements. The sums provided by the improvement security may be used by City for the completion of the Improvements in accordance with the improvement plans and specifications contained herein.

C. In the event of Subdivider's default under this Agreement, Subdivider authorizes City to perform such obligation twenty (20) days after mailing written notice of default to Subdivider and to Subdivider's Surety and agrees to pay the entire cost of such performance by City.

D. City may, but is not required to, take over the work and prosecute the same to completion, by contract or by any other method City may deem advisable, for the account and at the expense of Subdivider, and Subdivider's Surety shall be liable to City for any excess cost or damages occasioned City thereby; and, in such event, City, without liability for so doing, may take possession of, and utilize in completing the work, such materials, appliances, plant and other property belonging to Subdivider as may be on the site of the work and necessary for performance of the work.

E. Failure of Subdivider to comply with the terms of this Agreement shall constitute consent to the filing by City of a notice of violation against all the lots in the Subdivision, or to rescind the approval or otherwise revert the Subdivision to acreage. The remedy provided by this Subsection is in addition to and not in lieu of other remedies available to City. Subdivider agrees that the choice of remedy or remedies for Subdivider's breach shall be in the discretion of City.

F. In the event that Subdivider fails to perform any obligation hereunder, Subdivider agrees to pay all costs and expenses incurred by City in securing performance of such obligations, including costs of suit and reasonable attorney's fees.

G. The failure of City to take an enforcement action with respect to a default, or to declare a breach, shall not be construed as a waiver of that default or breach or any subsequent default or breach of Subdivider.

17. LEGAL RESPONSIBILITIES

The Subdivider shall keep itself informed of all local, State and Federal Laws and regulations which in any manner affect those employed by it or in any way affect the performance of its obligations pursuant to this Agreement. The Subdivider shall at all times observe and comply with all such laws and regulations and shall require its contractors and subcontractors to comply with all such laws and regulations. The City, and its officers and employees, shall not be liable at law or in equity occasioned by failure of the Subdivider to comply with this Section.

18. SUBDIVIDER NOT AGENT OF CITY

Neither Subdivider nor any of Subdivider's agents or contractors are or shall be considered to be agents of City in connection with the performance of Subdivider's obligations under this Agreement.

19. NOTICE

Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, that provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, addressed to the address of the party as set forth below or at any other address as that party may later designate by Notice. Notice shall be effective upon delivery to the addresses specified below or on the third business day following deposit with the document delivery service or United States Mail as provided above.

Notice to CITY: City of Merced
 Daryl Jordan
 City Engineer
 678 West 18th Street
 Merced, CA 95340

Notice to Subdivider: Stonefield Homes. Inc.
 923 E. Pacheco Blvd., Suite C
 Los Banos, CA 93665

20. APPROVALS

This Agreement is subject to approval by the City Manager of City as to substance, and by the City Attorney as to form. Any improvement securities tendered hereunder shall be subject to approval by the City Manager as to amount, and by the City Attorney as to form and legal sufficiency.

21. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto.

22. WAIVER

In the event that either City or Consultant shall at any time or times waive any breach of this Agreement by the other, such waiver shall not constitute a waiver of any other or succeeding breach of this Agreement, whether of the same or any other covenant, condition or obligation. Waiver shall not be deemed effective until and unless signed by the waiving party.

23. VENUE

This Agreement and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this Agreement shall be held exclusively in a state court in the County of Merced.

24. AMENDMENT

This Agreement shall not be amended, modified, or otherwise changed unless in writing and signed by both parties hereto.

25. SEVERABILITY

The provisions of this Agreement are severable. If any portion of this Agreement is held invalid by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect unless amended or modified by the mutual consent of the parties.

26. CAPTIONS

The captions of this Agreement are for convenience and reference only and shall not define, explain, modify, limit, exemplify, or aid in the interpretation, construction or meaning of any provisions of this Agreement.

27. INTEGRATION

This Agreement constitutes the entire understanding and agreement of the parties and supersedes all previous and/or contemporaneous understandings or agreements between the parties with respect to all or any part of the subject matter hereof.

28. AUTHORITY TO EXECUTE

The person or persons executing this Agreement on behalf of the parties hereto warrants and represents that he/she/they has/have the authority to execute this Agreement on behalf of their entity and has/have the authority to bind their party to the performance of its obligations hereunder.

29. COUNTERPARTS

This Agreement may be executed in one or more counterparts with each counterpart being deemed an original. No counterpart shall be deemed to be an original or presumed delivered unless and until the counterparts executed by the other parties hereto are in the physical possession of the party or parties seeking enforcement thereof.

IN WITNESS WHEREOF, three (3) identical counterparts of this Agreement, each of which shall for all purposes be deemed an original thereof, have been duly executed by the parties hereinabove named, on the day and year first herein written.

**CITY OF MERCED
A California Charter Municipal
Corporation**

BY: _____
**D. Scott McBride
City Manager**

ATTEST:
D. SCOTT MCBRIDE, CITY CLERK

BY: _____
Assistant/Deputy City Clerk

APPROVED AS TO FORM:
CRAIG J. CORNWELL, CITY ATTORNEY

BY: Craig Cornwell 4-15-2026
City Attorney Date

ACCOUNT DATA:
M. VENUS RODRIGUEZ, FINANCE OFFICER

BY: _____
Verified by Finance Officer

{Signatures continued on next page}

SUBDIVIDER STONEFIELD HOME

BY: [Signature]
(Signature) Hostetler Investments

GREG HOSTETLER
(Typed Name)

Its: [Signature]
(Title)

BY: NA
(Signature)

NA
(Typed Name)

Its: NA
(Title)

Taxpayer I.D. No. 32-0439641

ADDRESS: 923 E. Pacheco Blvd., Suite C
Los Banos CA 93635

TELEPHONE: (209) 826-6200

FAX: (209) 826-6900

E-MAIL: candym@ranchwood.com

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

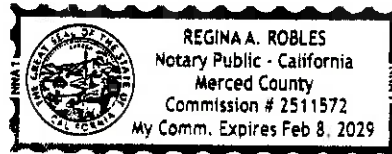
State of California
County of Merced

On April 17, 2026 before me, Regina A. Robles, Notary Public,
(insert name and title of the officer)

personally appeared Greg Hostetler
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature  (Seal)

EXHIBIT A

Belleveue Ranch North V24A

The securities for this subdivisiion shall be according, or equivalent to, either Method 1 or Method 2 below.

	METHOD 1		METHOD 2
Engineer's Estimate	Performance Bond	Labor & Materials Bond	Cash/Credit Security
\$18,645.00	\$18,645.00	\$9,322.50	\$22,374.00

One-Year Warranty Bond*	\$2,796.75
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*shall be provided prior to a Notice of Completion being filed