

NEW ISSUES-BOOK-ENTRY ONLY**NOT RATED**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2015A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2015A Bonds. See "TAX MATTERS."

\$7,000,000*

**FOLSOM RANCH FINANCING AUTHORITY
SPECIAL TAX REVENUE BONDS
SERIES 2015A**

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

The Folsom Ranch Financing Authority Special Tax Revenue Bonds, Series 2015A (the "Series 2015A Bonds") are being issued by the Folsom Ranch Financing Authority (the "Authority") to provide funds to finance the purchase of limited obligation special tax bonds (the "CFD 17 Local Obligations"), issued by the City of Folsom (the "City") for the benefit of the City of Folsom Community Facilities District No. 17 ("CFD 17"). The purchase price of the CFD 17 Local Obligations will be used to finance certain public facilities constituting water facilities (including the Willow Hill Transmission Pipeline construction and rehabilitation project, and all ancillary work necessary or appropriate related thereto), fund a debt service reserve fund, and pay certain costs of issuance of the CFD 17 Local Obligations and Series 2015A Bonds.

The Series 2015A Bonds are being issued by the Authority pursuant to a Trust Agreement (the "Trust Agreement") between the Authority and MUFG Union Bank, N.A., as trustee (the "Trustee") and will be secured by a pledge of the Trust Estate, as defined herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS."

The Series 2015A Bonds are special limited obligations of the Authority. The Series 2015A Bonds are payable solely from and secured by the Trust Estate of the Authority pledged under the Trust Agreement, consisting primarily of payments received by the Authority from the City under the CFD 17 Local Obligations and any Additional Local Obligations, which payments are secured by a lien of the Special Taxes (defined herein) levied upon property within CFD 17 and any community facilities district for which the Additional Local Obligations are issued, as more fully described herein. The Authority may issue Additional Authority Bonds secured by the Trust Estate on parity with the Series 2015A Bonds and any Additional Authority Bonds issued pursuant to the Trust Agreement to purchase Additional Local Obligations. The Series 2015A Bonds and any Additional Authority Bonds are collectively referred to herein as the "Authority Bonds." In addition, the Authority may exchange the CFD 17 Local Obligations for Additional Local Obligations. The CFD 17 Local Obligations and any Additional Local Obligations are collectively referred to herein as the "Local Obligations." See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—Purchase and Exchange of Local Obligations." Payments under the Local Obligations, along with investment earnings, are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Authority Bonds when due.

Pursuant to the Local Obligations Indenture (defined herein) pursuant to which the CFD 17 Local Obligations are issued, a debt service reserve fund is established for the CFD 17 Local Obligations (the "Local Obligation Reserve Account") and is required to be established for any Additional Local Obligations to be purchased by the Authority. **Amounts available from the Local Obligation Reserve Account for any Local Obligations are not available to make up a deficiency for the payment of principal and interest on the Authority Bonds.** See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—The CFD 17 Local Obligations—Local Obligation Reserve Account."

The Series 2015A Bonds are being issued only as fully registered bonds registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York New York ("DTC") and interest thereon is payable on March 1 and September 1 of each year, commencing March 1, 2016, by the Trustee to DTC. DTC will in turn remit principal or redemption price and interest to the DTC participants, which will in turn remit such principal or redemption price and interest to the Beneficial Owners of the Series 2015A Bonds, as described herein. DTC will act as securities depository for the Series 2015A Bonds. Individual purchases will be made in book-entry only form in the principal amount of \$5,000 or integral multiple thereof. Purchasers of the Series 2015A Bonds will not receive instruments representing their interest in the Series 2015A Bonds purchased. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2015A Bonds are subject to redemption as described herein. See "THE SERIES 2015A BONDS—Redemption Provisions."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE AUTHORITY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE AUTHORITY BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE TRUST ESTATE, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE AUTHORITY BONDS. THE AUTHORITY BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY OR CITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE, DERIVED FROM THE PAYMENT OF THE SPECIAL TAXES LEVIED WITHIN CFD 17 AS MORE FULLY DESCRIBED HEREIN.

Investment in the Series 2015A Bonds involves risks that may not be appropriate for some investors. See "CERTAIN RISKS TO BONDHOLDERS" for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2015A Bonds.

This cover page contains information for general reference only and it is *not* a complete summary of the Series 2015A Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**Maturity Schedule, Interest Rates, Prices or Yields and CUSIPS
(See inside front cover)**

The Series 2015A Bonds are offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed on for the Authority and the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by Stradling, Yocca, Carlson & Rauth, a Professional Corporation. It is anticipated that the Series 2015A Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about June 16, 2015.

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The date of this Official Statement is _____, 2015.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification or filing under the securities laws of any such jurisdiction.

\$7,000,000*
FOLSOM RANCH FINANCING AUTHORITY
SPECIAL TAX REVENUE BONDS
SERIES 2015A

MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

<u>Maturity</u> (September 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>No.†</u> (_____)	<u>Maturity</u> (September 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>No.†</u> (_____)
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*Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2015 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriter takes any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations 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 or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Series 2015A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor is it to be construed as a representation of such by the Authority, the City or the Underwriter. The information and expressions of opinion stated herein are subject to change without notice; and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or the property owners in CFD 17, or in the condition of the property in CFD 17, since the date hereof.

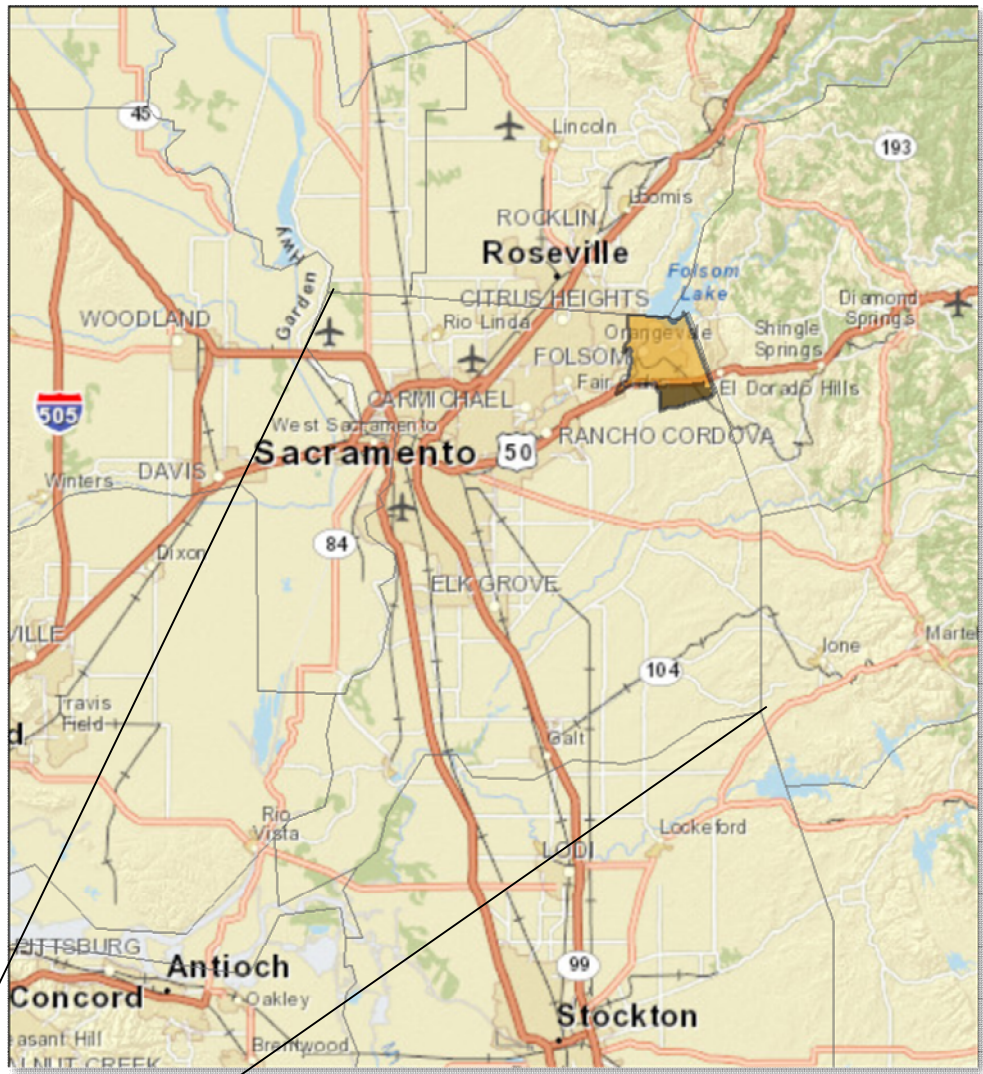
The summaries and references to the Trust Agreement, the Act, the Local Obligations Indenture and to other statutes and documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute and document. This Official Statement including any amendment or supplement hereto is intended to be deposited with one or more depositories.

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

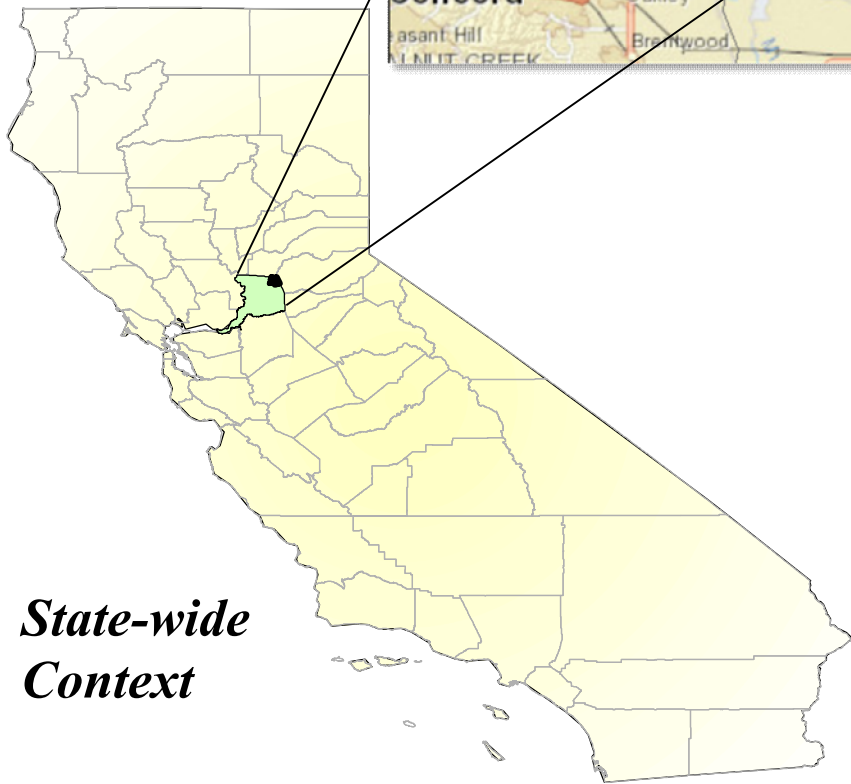
IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE AUTHORITY BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE AUTHORITY BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES SET FORTH ON THE INSIDE FRONT COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE AUTHORITY BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE AUTHORITY BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

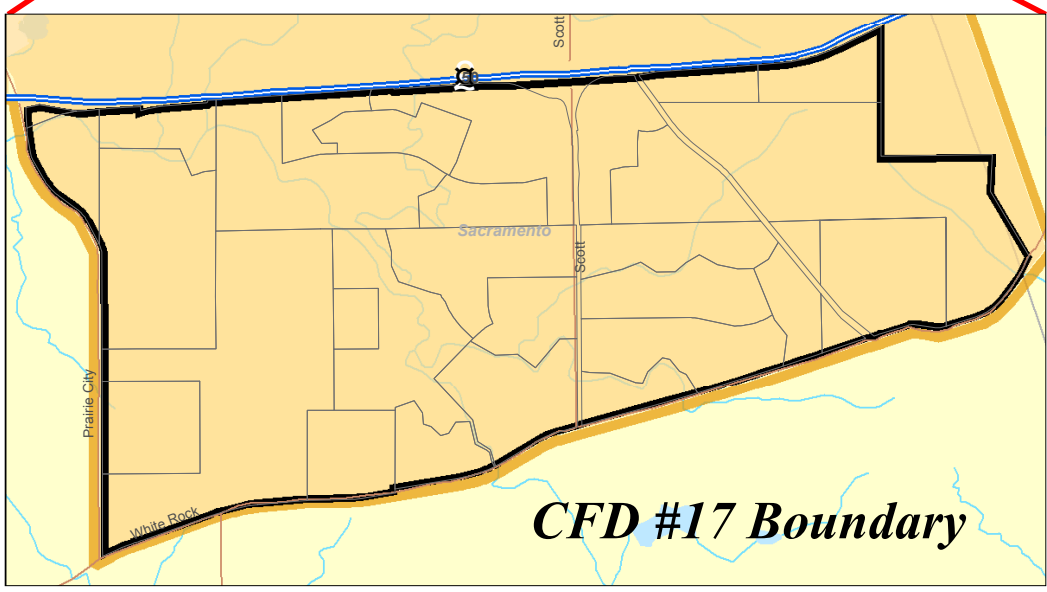
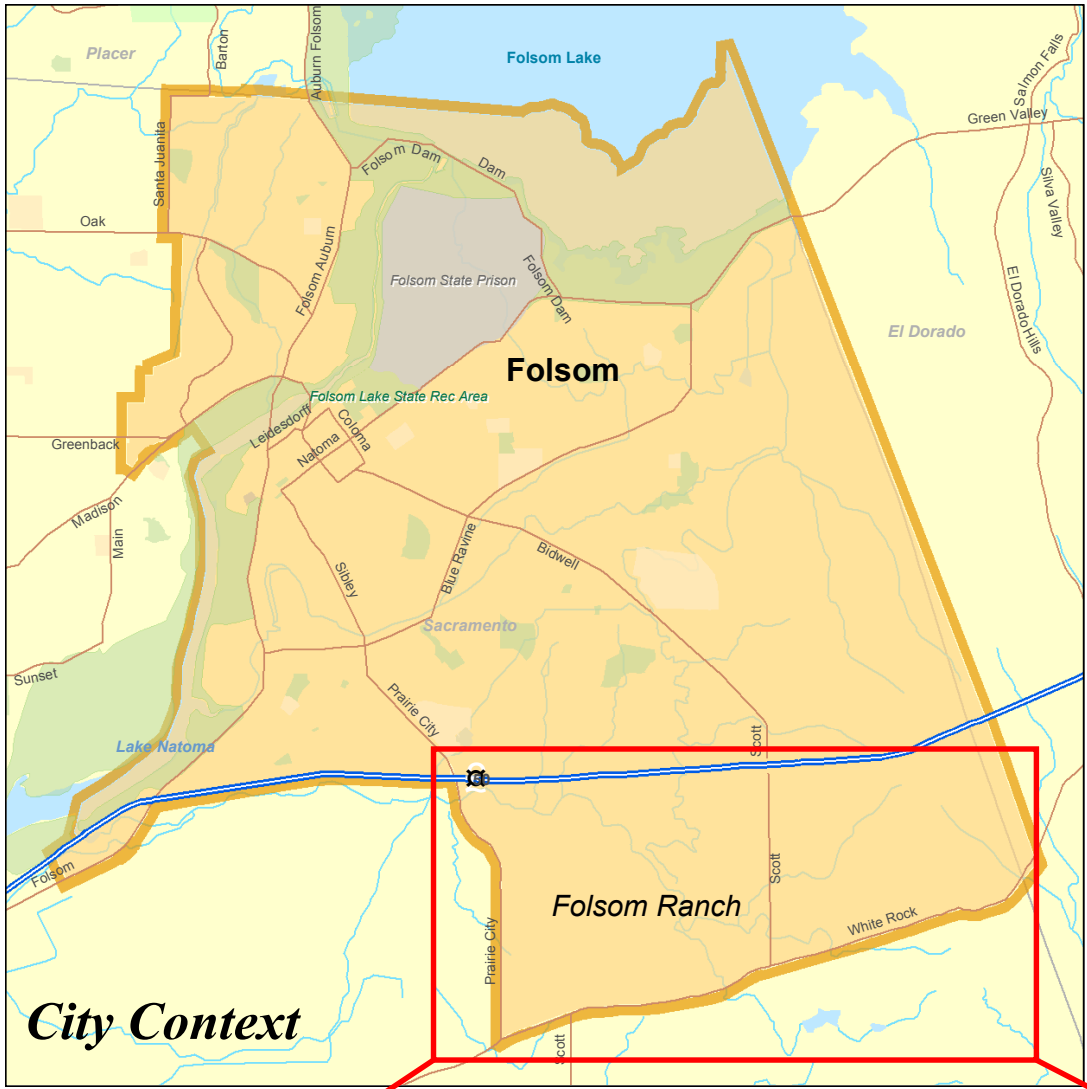
Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.



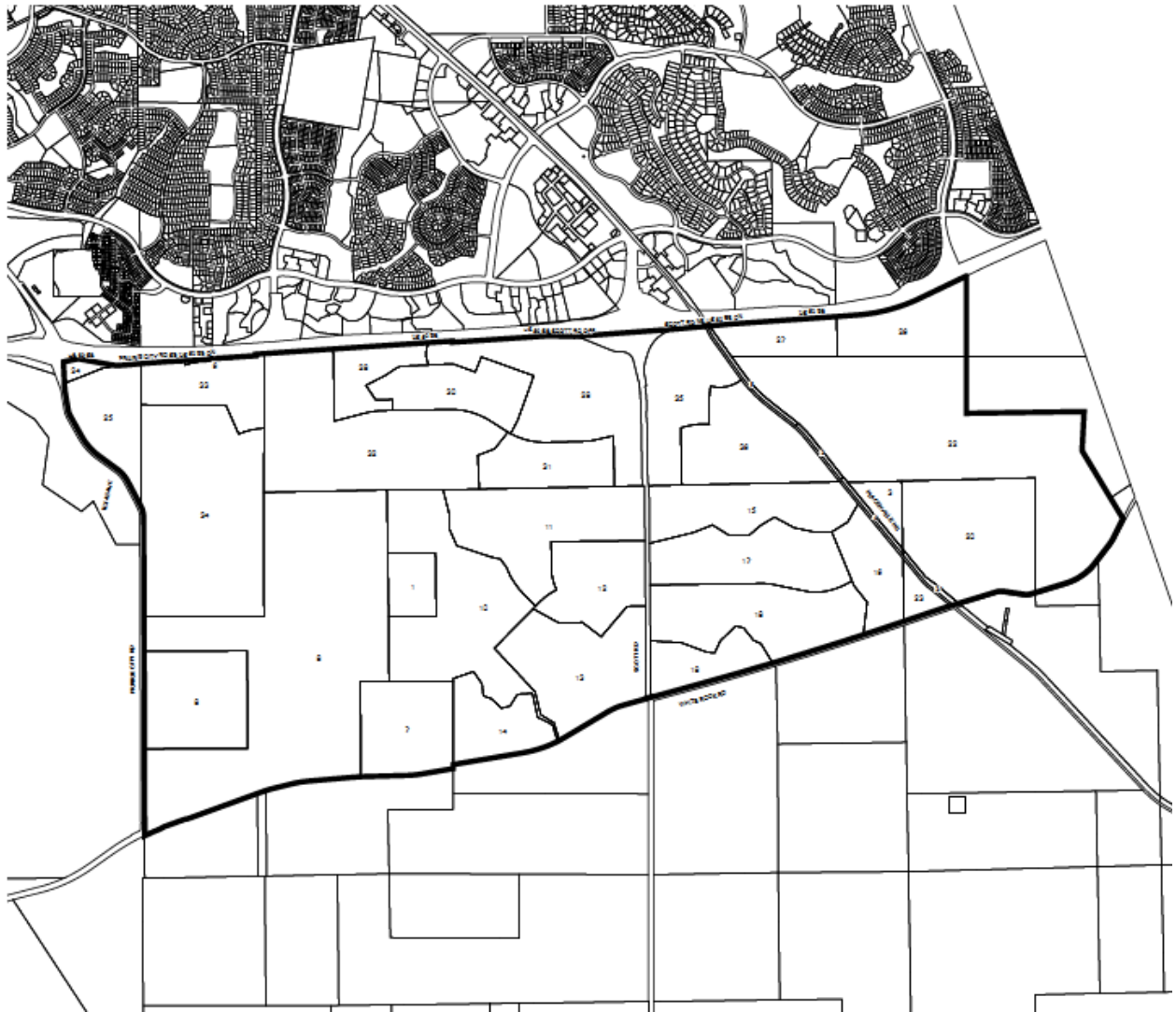
Regional Context



State-wide Context



City of Folsom
Boundary Map for Community Facilities District No. 17 (Willow Hill Pipeline)



Legend

- CFD Boundary
- Parcel Lines

PREPARED BY

NBS

AUTHORITY GOVERNING BOARD/CITY COUNCIL

Andy Morin, *Chair / Mayor*
Steve Miklos, *Vice Chair / Vice Mayor*
Kerri Howell, *Member / Councilmember*
Ernie Sheldon, *Member / Councilmember*
Jeff Starsky, *Member / Councilmember*

AUTHORITY/CITY STAFF

Evert W. Palmer, *Executive Director / City Manager*
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Bruce C. Cline, Esq., *General Counsel / City Attorney*
Christa Saunders, *Secretary / City Clerk*

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TRUSTEE

MUFG Union Bank, N.A.

FINANCIAL ADVISOR

Fieldman Rolapp & Associates

SPECIAL TAX CONSULTANT

NBS

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\$7,000,000*
FOLSOM RANCH FINANCING AUTHORITY
SPECIAL TAX REVENUE BONDS
SERIES 2015A

INTRODUCTION

The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Trust Agreement (defined below).

General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Folsom Ranch Financing Authority (the “Authority”) of \$7,000,000* aggregate principal amount of Folsom Ranch Financing Authority Special Tax Revenue Bonds, Series 2015A (the “Series 2015A Bonds”).

Authority for Issuance

The Series 2015A Bonds will be issued pursuant to the provisions of the Trust Agreement (the “Trust Agreement”), between the Authority and MUFJ Union Bank, N.A., as trustee (the “Trustee”). The Series 2015A Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Act”). The Series 2015A Bonds will be issued as fully registered bonds in book-entry form, in denominations of \$5,000 each or any integral multiple thereof and will be dated the date of delivery thereof and bear interest at the rates set forth on the inside front cover page hereof. See “THE SERIES 2015A BONDS—Description of the Series 2015A Bonds.”

Purpose

The Series 2015A Bonds are being issued pursuant to a resolution of the Authority adopted on May 12, 2015 (the “Authorizing Resolution”) to finance the purchase of the limited obligation special tax bonds (the “CFD 17 Local Obligations”), issued by the City of Folsom (the “City”) for the benefit of the City of Folsom Community Facilities District No. 17 (“CFD 17”) pursuant to an Indenture (the “Local Obligations Indenture”) between the City and MUFJ Union Bank, N.A., as trustee (the “Local Obligations Trustee”). The purchase price of the CFD 17 Local Obligations will be used to finance certain public facilities constituting water facilities (including the Willow Hill Transmission Pipeline construction and rehabilitation project, and all ancillary work necessary or appropriate related thereto), fund a debt service reserve fund, and pay certain costs of issuance of the CFD 17 Local Obligations and Series 2015A Bonds. See “COMMUNITY FACILITIES DISTRICT NO. 17.”

The CFD 17 Local Obligations are authorized pursuant to (i) the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, *et seq.* of the California Government Code (the “Mello-Roos Act”), (ii) a resolution of the City adopted on March 24, 2015, and (iii) the Local Obligations Indenture (defined herein). The CFD 17 Local Obligations are payable from the special taxes authorized to be levied and collected annually upon real property within CFD 17 (the

* Preliminary, subject to change.

“Special Taxes”). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—General.”

Security for the Series 2015A Bonds

The Series 2015A Bonds are special obligations of the Authority, payable from and secured by the Trust Estate (as defined herein) received by the Authority consisting primarily of payments received from the City in connection with the CFD 17 Local Obligations and any Additional Local Obligations purchased or exchanged in accordance with the provisions of the Trust Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—Purchase and Exchange of Local Obligations.” Although the scheduled payments under the CFD 17 Local Obligations are sufficient, in the aggregate, to provide the Authority with moneys to pay the principal of, premium, if any, and interest on the Series 2015A Bonds when due (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS”), investment in the Series 2015A Bonds involves risks that may not be appropriate for some investors. See “CERTAIN RISKS TO BONDHOLDERS” below.

The CFD 17 Local Obligations are secured by a pledge of net Special Taxes received by the City (including any prepayment thereof and proceeds from foreclosure sales pursuant to the Local Obligations Indenture, after payment of the City’s administration expenses) and the Local Obligation Reserve Account established under the Local Obligations Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS.” The Special Taxes are included on the regular property tax bill sent to the record owners of taxable properties within CFD 17. The City has covenanted in the Trust Agreement to commence judicial foreclosure proceedings against property with delinquent Special Taxes and to diligently pursue such proceedings to completion. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—Payment of the CFD 17 Local Obligations,” “—Special Tax Authorization” and “—Covenant for Foreclosure.”

The Special Taxes secure only the CFD 17 Local Obligations. For this reason, a delinquency or default in the payment of Special Taxes could cause a default in the payments of principal and interest on the Series 2015A Bonds if moneys in the Local Obligation Reserve Account for the CFD 17 Local Obligations are insufficient to make up the deficit caused by such delinquency or nonpayment.

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE AUTHORITY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2015A BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE TRUST ESTATE, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE SERIES 2015A BONDS. THE SERIES 2015A BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY OR THE CITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE, DERIVED FROM THE PAYMENT OF THE SPECIAL TAXES LEVIED WITHIN CFD 17 AS MORE FULLY DESCRIBED HEREIN.

Bondholders Risks

Investment in the Series 2015A Bonds involves risks that may not be appropriate for some investors. For a discussion of certain considerations relevant to an investment in the Series 2015A Bonds, in addition to the other matters set forth herein, see “CERTAIN RISKS TO BONDHOLDERS.” Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Continuing Disclosure

The City has covenanted for the benefit of Bondholders and Beneficial Owners to provide certain financial information and operating data relating to the Authority and CFD 17 by not later than 270 days after the end of the Authority's fiscal year, commencing with the fiscal year ending June 30, 2015 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access database ("EMMA"). The notices of material events will be filed with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12.

Summaries Not Definitive

Brief descriptions of the Series 2015A Bonds; the CFD 17 Local Obligations; the security for the Series 2015A Bonds, the City, CFD 17 and the status of development within CFD 17 are included in this Official Statement together with summaries of certain provisions of the Series 2015A Bonds, the Trust Agreement and the Local Obligations Indenture. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Trust Agreement and the Local Obligations Indenture are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of Trustee.

PLAN OF FINANCE

General

The Series 2015A Bonds are issued for the purpose of providing funds to purchase CFD 17 Local Obligations. The CFD 17 Local Obligations are being issued to finance certain public capital improvements. See "—The Project" and "ESTIMATED SOURCES AND USES OF FUNDS." The Series 2015A Bonds and any Additional Authority Bonds are secured by a pledge of amounts paid with respect to the CFD 17 Local Obligations and any Additional Local Obligations. The CFD 17 Local Obligations are secured by a pledge of net Special Taxes levied against taxable property within CFD 17. See "DEBT SERVICE SCHEDULE" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS."

The Local Obligations Indenture establishes a Local Obligation Reserve Account with respect to the CFD 17 Local Obligations. There is no reserve fund with respect to the Series 2015A Bonds. Amounts available from the Local Obligation Reserve Account for the CFD 17 Local Obligations are not available to cure a deficiency generally in the Trust Estate to make debt service payments on the Series 2015A Bonds.

The Project

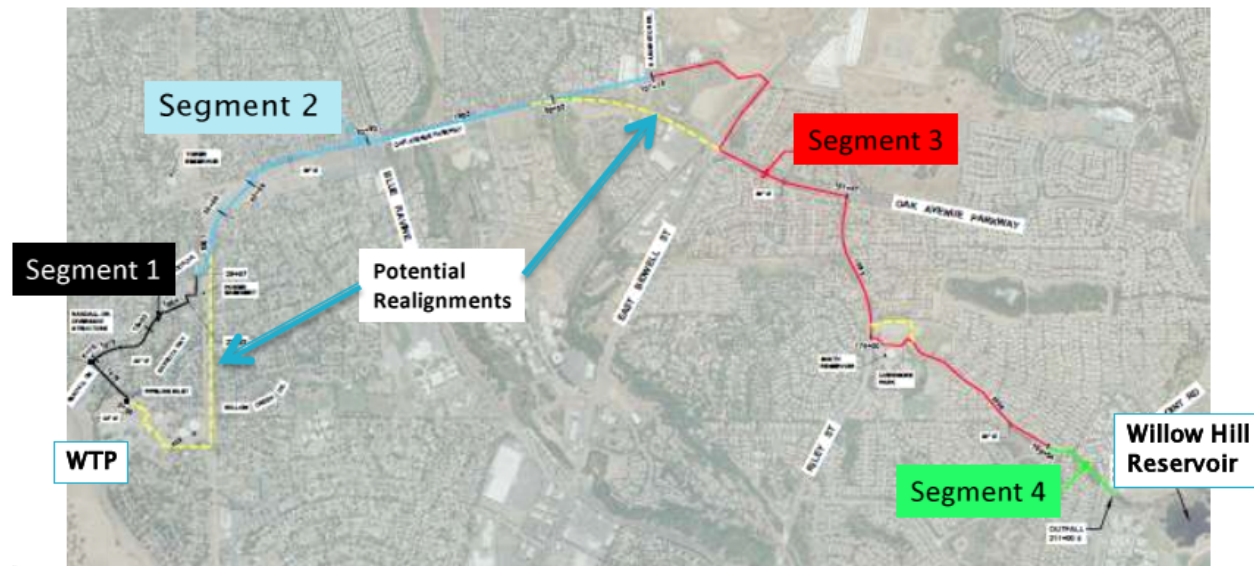
The City intends to use the proceeds from the CFD 17 Local Obligations to finance the repairs, rehabilitation and improvement of the Willow Hill System and the Willow Hill Pipeline (the "Project").

The Willow Hill System consists of approximately 21,600 lineal feet of 30", 42" and 48" diameter reinforced concrete pipe. The Willow Hill System diverts raw surface water from the Folsom Dam-Water Treatment Plant delivery system and conveys this raw water to the Willow Hill Reservoir to serve existing customers south of Highway 50 within the City. In addition, the pipeline currently serves 3,000 to 4,000 acre-feet per year to Aerojet Rocketdyne Inc. for industrial, non-potable needs.

The City conducted a leak and repair program within the City and determined that the Willow Hill System has an estimated loss of nearly one-million gallons-per-day during the peak summer period. The repairs and rehabilitation of the Willow Hill System to be financed with the proceeds of the CFD 17 Local Obligations consist of the following:

- Cleaning and assessment of the pipeline
- Design and construction
- Providing access points along various segments of the pipeline
- Open cut realignment for a segment of the pipeline
- Sliplining the remaining segments of the pipeline

City staff evaluated various rehabilitation alternatives and construction methods prior to moving forward with the design phase. During the pre-design, the alignment was divided into four sections as shown in the below diagram. Segments 1 and 2 were easily accessible with a CCTV camera to determine the conditions of the pipeline, but Segments 3 and 4 had no access points.



Source: City of Folsom.

The City divided construction into two phases. The first phase includes cleaning and assessing Segment 1, lining Segment 2 and providing access points for Segments 3 and 4. The first phase will commence in early summer 2015. The second phase, to commence upon completion of the first phase, includes the sliplining of Segments 1, 3 and 4.

The City has applied for and received a Proposition 84 Grant through the Department of Water Resources Integrated Regional Water Management Program for Integrated Regional Water Management Implementation in the amount of \$1.94 million. The remaining cost for the Project is anticipated to be approximately \$5.7 million, which is expected to be paid entirely from proceeds of the CFD 17 Local Obligations. The Project is expected to be complete in August 2016.

Folsom Ranch Infrastructure Plan of Finance

In 2001, the City commenced plans to expand its sphere of influence area to include an area south of State Highway 50. The area, known as the Folsom Plan Area or “Folsom Ranch” is bordered to the west by Prairie City Road, the east by the Sacramento/El Dorado County boundary line, the north by State Highway 50, and the south by White Rock Road. In November 2004, the citizens of the City adopted

Measure W (“Measure W”), which specified certain requirements for annexing Folsom Ranch into the City. In June 2011, the City adopted its Folsom Plan Area Specific Plan (the “Specific Plan”). The Local Agency Formation Commission approved the City’s plan to annex Folsom Ranch on January 18, 2012.

As described below, Folsom Ranch is an area of approximately 3500 acres in the southern portion of the City that has been approved for development of approximately 10,210 units of residential development, plus 511.3 acres of commercial/industrial development (including mixed use development). Over the build out of the property, the City anticipates using community facilities districts under the Mello-Roos Act (“CFDs”) to finance a large portion of the public infrastructure required for the development, plus certain maintenance obligations of public improvements and facilities.

As described under “—The Project,” the City will issue bonds secured by special taxes within CFD 17 to finance pipeline repairs to fix existing leaks that will provide for additional water capacity for CFD 17. Property owners in CFD 17 will pay special taxes to support the Authority Bonds sold for CFD 17. Future CFDs are expected to be formed to fund additional area-wide improvements, which will include certain water and sewer improvements as well as a regional aquatic center, which CFDs will include all or virtually all of the property within Folsom Ranch. In addition, specific developments within Folsom Ranch are expected to utilize CFDs to finance improvements specific to each development project (each, a “subdivision”). All bonds to be secured by the special taxes in the additional CFDs (“CFD Bonds”) are expected to be sold to the Authority to secure parity revenue bonds issued by the Authority in multiple series from time to time. As described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS,” CFD Bonds will only be issued in compliance with the Additional Authority Bonds test provided in the Trust Agreement. The City’s intention is that upon the formation of each subdivision specific CFD, the share of CFD 17 and other area wide CFD obligations allocable to that subdivision will be subsumed within the subdivision specific CFD tax and the tax levied for CFD 17 and any other area wide CFD on that property will be extinguished. At such time, a portion of the CFD Bonds for CFD 17 and any other area wide CFDs held by the Authority to secure previously issued Authority revenue bonds will be exchanged for a like amount of CFD bonds of the subdivision specific CFD identical as to rates, amortization and term, but the Authority’s revenue bonds secured by the prior CFDs would not be defeased or refunded. The result will be that, once a subdivision specific CFD is formed, it will be the only CFD (not including CFDs created by school districts or other overlapping taxing agencies, if any) covering the specific subdivision for which it was formed, and it will include bonds issued both to cover the subdivision’s portion of the area wide improvements as well as any specific improvements financed for that subdivision.

Public Facilities Financing Plan

Measure W, adopted by City of Folsom residents in November 2004, required, among other things, that residents north of State Highway 50 not bear the cost for infrastructure and public facilities serving Folsom Ranch. The City adopted a Public Facilities Financing Plan (“PFFP”) for Folsom Ranch on January 14, 2014. The PFFP provides an overview of how the infrastructure required for the development of Folsom Ranch will be financed and constructed and how various public facilities will be financed and maintained to ensure that public facilities and infrastructure will be available for the orderly development of Folsom Ranch without cost to the residents of the City north of State Highway 50 and without adverse impact on the service levels provided to future residents of Folsom Ranch.

The PFFP contemplates that the primary sources of funding for the construction of the public infrastructure and facilities in Folsom Ranch are community facilities districts, development impact fees collected upon permit issuance, and direct developer financing. Subdivision improvements are not included as part of the PFFP.

Phasing of Development. According to the PFFP, single family units are estimated to be sold and occupied within 13 years, multi-family low density units within 15 years, and multi-family medium and high density units within 18 years.

Backbone Infrastructure. The PFFP provides for the financing or collection of impact fees for and construction of the backbone infrastructure required before construction in Folsom Ranch can proceed. Specifically, the PFFP recognizes the need for roadway improvements, on-site water system improvements, off-site water system improvements, recycled water system improvements, sanitary sewer system improvements, storm drainage system improvements, habitat mitigation, and construction of two freeway interchanges and improvements to an existing freeway interchange.

Public Facilities. The PFFP describes plans for the financing of public schools, parks, transit services, trails, police and fire facilities and equipment, municipal service center, a corporation yard, solid waste facilities, a library, general capital improvements, transportation, and a community and aquatic center. The PFFP anticipates that the land for the public facilities will be dedicated to the City without cost to the City.

The estimated total cost of the backbone infrastructure and public facilities for Folsom Ranch at buildout is \$877,271,000 (in 2013 dollars), of which the City anticipates that a portion will be financed through CFD Bonds as described under “—Folsom Ranch Infrastructure Plan of Finance.” This estimate is subject to a variety of construction and market risks. The City can provide no assurances that the overall costs will not increase, even significantly, in the future. The following table shows the breakdown of overall estimated costs for each category of improvement.

Infrastructure	Estimated Cost	Public Improvements	Estimated Cost
Roadways	\$323,725,000	Public Schools	\$103,341,000
On-Site Water	40,400,000	Parks	69,086,000
Off-Site Potable Water	48,609,000	Transit Services	24,800,000
Recycled Water	11,954,000	Housing Trust	24,129,000
Wastewater (Sewer)	57,145,000	Trails	18,026,000
Storm Drainage	26,370,000	Fire Facilities and Equipment	16,427,000
Habitat Mitigation	12,934,000	Police Facilities and Equipment	8,116,000
Subtotal:	<u>\$521,137,000</u>	Municipal Service Center	7,378,000
Impact Fee Administration	<u>\$8,852,000</u>	Corporation Yard	6,460,000
Total:	<u>\$529,989,000</u>	Solid Waste	4,096,000
Building Permit Fees	\$19,456,000	Branch Library	3,380,000
		Community and Aquatic Center	36,750,000
		General Capital	3,561,000
		Transportation	<u>1,082,000</u>
		Total:	<u>\$326,632,000</u>

THE SERIES 2015A BONDS

Description of the Series 2015A Bonds

General. The Series 2015A Bonds will be dated their date of delivery and mature on September 1, as set forth on the inside front cover page hereof (each, a “Principal Payment Date”). Interest is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2016 (each, an “Interest Payment Date”).

The Series 2015A Bonds will be issued as fully registered bonds, without coupons, in denominations of \$5,000, or any integral multiple thereof. The Series 2015A Bonds will be issued in book-entry only form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2015A Bonds. So long as the Series 2015A Bonds are in book-entry only form, principal of and redemption premium, if any, on the Series 2015A Bonds will be payable to DTC or its nominee, who will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Principal of, and redemption premium, if any, on the Series 2015A Bonds is payable at the corporate trust office of the Trustee. Interest on the Series 2015A Bonds will be paid only to the registered owners as shown on the Trustee’s books as of the fifteenth day of the calendar month next preceding each interest payment date, except that in the case of an owner of \$1,000,000 or more in principal amount of Series 2015A Bonds outstanding, payment will be made at the owner’s option by wire transfer of immediately available funds according to instructions provided by such owner to the Trustee and received no later than the Record Date for such interest payment date.

The Series 2015A Bonds are special limited obligations of the Authority. The Series 2015A Bonds are payable solely from and secured by the Trust Estate of the Authority pledged under the Trust Agreement, consisting primarily of payments received by the Authority from the City under the CFD 17 Local Obligations and any Additional Local Obligations, which payments are secured by a lien of the net Special Taxes (defined herein) levied upon property within CFD 17 and any community facilities district for which the Additional Local Obligations are issued, as more fully described herein. The Authority may issue Additional Authority Bonds secured by the Trust Estate on parity with the Series 2015A Bonds and any Additional Authority Bonds issued pursuant to the Trust Agreement to purchase Additional Local Obligations. The Series 2015A Bonds and any Additional Authority Bonds are collectively referred to herein as the “Authority Bonds.” In addition, the Authority may exchange the CFD 17 Local Obligations for Additional Local Obligations. The CFD 17 Local Obligations and any Additional Local Obligations are collectively referred to herein as the “Local Obligations.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—Purchase and Exchange of Local Obligations.” Payments under the Local Obligations, along with investment earnings, are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Authority Bonds when due. Pursuant to the Local Obligations Indenture, a Local Obligation Reserve Account is established for the CFD 17 Local Obligations. Amounts available from the Local Obligation Reserve Account are *not* available to cure a deficiency in the Trust Estate available to pay debt service of the Series 2015A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—The CFD 17 Local Obligations—*Local Obligation Reserve Account*.”

Redemption Provisions*

Optional Redemption. The Series 2015A Bonds maturing on or after September 1, 20___, are subject to optional redemption by the Authority prior to their respective maturity dates as a whole or in part on any date on or after September 1, 20___, from any source of available funds other than Minimum Sinking Fund Payments and Special Tax Prepayments, at the following redemption prices (computed upon the principal amount of the Series 2015A Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on any date on or before September 1, 20___;

* Preliminary, subject to change.

102% if redeemed on any date after September 1, 20__ through September 1, 20__ ;

101% if redeemed on any date after September 1, 20__ through September 1, 20__ ; and

100% if redeemed on any date on or after September 1, 20__.

Extraordinary Redemption from Prepayment of Special Taxes. The Series 2015A Bonds are subject to extraordinary redemption by the Authority prior to their respective maturity dates, as a whole or in part on any Interest Payment Date, solely from funds derived from extraordinary redemption of CFD 17 Local Obligations (or any Local Obligations exchanged therefor) from Special Tax Prepayments, at the following redemption prices (computed upon the principal amount of the Series 2015A Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on an Interest Payment Date on or after March 1, 20__ through March 1, 20__ ;

102% if redeemed on an Interest Payment Date on or after September 1, 20__ through March 1, 20__ ;

101% if redeemed on an Interest Payment Date on or after September 1, 20__ through March 1, 20__ ; and

100% if redeemed on September 1, 20__ or any Interest Payment Date thereafter.

Mandatory Sinking Fund Redemption of Series 2015A Bonds. The Series 2015A Bonds maturing on September 1, 20__ are subject to mandatory redemption in part by lot on September 1 of each year commencing September 1, 20__, at a redemption price equal to one hundred per cent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date fixed for redemption:

Minimum Sinking Fund Payment Date (September 1)	Series 2015A Bonds <u>Minimum Sinking Fund Payment</u> \$
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†

† Maturity.

If the Series 2015A Bonds subject to mandatory redemption are redeemed in part prior to their stated maturity date other than from Minimum Sinking Fund Payments, the Minimum Sinking Fund Payments shall be reduced proportionately by the principal amount of such Series 2015A Bonds so redeemed.

Redemption Instructions. Upon any prepayment of a Local Obligation (except in connection with an exchange of Local Obligations), the Authority shall deliver to the Trustee a Written Order of the Authority designating the amounts and maturities of the Authority Bonds to be redeemed, and in the event only a portion of the Outstanding Bonds are to be redeemed at any one time, the Trustee shall select the

particular Bonds of each maturity date to be redeemed randomly. The Trustee shall redeem Bonds in Authorized Denominations. Upon any redemption of a portion but not all of the Outstanding Bonds, the Authority shall deliver to the Trustee a Cash Flow Certificate to the effect that, assuming all payments are made with respect to the Local Obligations, (i) the Revenues, together with moneys on deposit in other funds and account held under the Trust Agreement, will be sufficient to pay all Principal Installments, Minimum Sinking Fund Payments and interest payments on the Authority Bonds when due; and (ii) the redemption premiums, if any, on the Local Obligations and Additional Local Obligations, together with other Revenues available to the Trustee for such purpose, are sufficient to offset any difference between the interest to accrue on the Authority Bonds to be paid or redeemed with the proceeds of prepayment of such Local Obligations (plus any redemption premium payable upon redemption of such Bonds) and the income to be earned on any investment of such proceeds (assured as of the date of payment thereof), in each case until the date of payment or redemption of Authority Bonds, such that in no event will the prepayment of Local Obligations or Additional Local Obligations cause the Trustee to have insufficient funds to pay debt service on the Authority Bonds when due. In no event shall Authority Bonds be redeemed if upon such redemption the principal amount of the Local Obligations remaining outstanding will be less than the total principal amount of Outstanding Bonds.

Notice of Redemption. Subject to receipt of the Written Order of the Authority described under “—*Redemption Instructions*”, if sufficient money is anticipated to be available for redemption of Authority Bonds identified in such Written Order, the Trustee shall give notice of redemption; provided, that Bonds, identified by CUSIP numbers, serial numbers and maturity date, have been called for redemption and, in the case of Authority Bonds to be redeemed in part only, the portion of the principal amount thereof that has been called for redemption (or if all the Outstanding Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof to the Trustee at its Corporate Trust Office, at the redemption price (specifying such price), together with any accrued interest to such date, and that all interest on the Authority Bonds (or portions thereof) so to be redeemed will cease to accrue on and after such date and that from and after such date such Authority Bond (or such portion thereof) shall no longer be entitled to any lien, benefit or security hereunder, and the Owner thereof shall have no rights in respect of such redeemed Authority Bond or such portion except to receive payment from such money of such redemption price plus accrued interest to the date fixed for redemption.

Such notice shall be mailed by first class mail, in a sealed envelope, postage prepaid, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption, to the Owners of such Bonds (or portions thereof) so called for redemption, at their respective addresses as the same shall last appear on the Bond Register; provided, that neither the failure of an Owner to receive notice of redemption of Authority Bonds hereunder nor any error in such notice shall affect the validity of the proceedings for the redemption of Authority Bonds; and provided further, that no notice of redemption need be given to the Owner of a Authority Bond to be called for redemption if such Owner waives notice thereof in writing, and such waiver is filed with the Trustee prior to the redemption date.

Any notice of optional redemption may be rescinded by written notice given by the Authority to the Trustee prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable to the same parties and in the same manner as the notice of redemption was given.

So long as the Series 2015A Bonds are in book-entry only form, notices of redemption will be given directly by the Trustee to DTC and not to the Beneficial Owners of the Series 2015A Bonds. See APPENDIX F—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Purchase in Lieu of Redemption. In lieu of redemption of any Authority Bond, amounts on deposit in the Proceeds Fund, the Principal Fund or in the Redemption Fund may be used and withdrawn by the Trustee at any time prior to a notice of redemption having been delivered, upon a Written Order for the purchase of such Bonds at public or private sale as and when and at such prices as the Authority may in its discretion determine, but not in excess of the lower of the highest or then current redemption price thereof plus accrued interest to the purchase date; and all Authority Bonds so purchased shall be delivered to the Trustee for cancellation.

Payment of Redeemed Series 2015A Bonds. If notice of redemption has been given or waived as provided in the Trust Agreement, the Series 2015A Bonds or portions thereof called for redemption will be due and payable on the date fixed for redemption at the redemption price thereof, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Series 2015A Bonds to be redeemed at the office specified in the notice of redemption. If less than the full principal amount of a Bond is called for redemption, the Authority is required to execute and deliver and the Trustee is required to authenticate, upon surrender of such Bond, and without charge to the Owner thereof, Series 2015A Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Series 2015A Bonds so surrendered in such Authorized Denominations as specified by the Owner.

If any Bond or any portion thereof has been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, has been made or provided for by the Authority, then interest on such Bond or such portion will cease to accrue from such date, and from and after such date such Bond or such portion will no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof will have no rights in respect of such Bond or such portion except to receive payment of such redemption price, and unpaid interest accrued to the date fixed for redemption.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2015A Bonds will be used to purchase the CFD 17 Local Obligations. The proceeds of the CFD 17 Local Obligations in turn will be used to finance the Project, and pay costs of issuance of the CFD 17 Local Obligations and Series 2015A Bonds. The following table sets forth the estimated sources and uses of the funds as allocated to the Series 2015A Bonds:

Sources of Funds

Principal Amount

Less/Plus: Original Issue Discount/Premium

Total Sources

Uses of Funds

Acquisition and Construction Fund

Underwriter's Discount

Deposit to Local Obligation Reserve

Account⁽¹⁾

Deposit to Costs of Issuance Account⁽²⁾

Total Uses

⁽¹⁾ A portion of the purchase price of the CFD 17 Local Obligations will be deposited into the Local Obligation Reserve Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS."

⁽²⁾ A portion of the purchase price of the CFD 17 Local Obligations will be used to pay costs of issuance. Represents costs of issuance including fees of Bond Counsel and the Financial Advisor, the initial fees of the Trustee, fees of the Verification Agent, bond insurance premium, printing costs and other miscellaneous expenses.

DEBT SERVICE SCHEDULE

The debt service schedule for the Series 2015A Bonds is set forth in the following table:

Debt Service Schedule Series 2015A Bonds

<u>Payment Date</u> <u>(September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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TOTAL

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS

The Series 2015A Bonds are secured by a lien on and pledge of the Trust Estate, consisting primarily of payments received by the Authority from the City under the CFD 17 Local Obligations, which payments are secured by net Special Taxes levied upon property within CFD 17 and received by the City.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE AUTHORITY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE AUTHORITY BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE TRUST ESTATE, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE AUTHORITY BONDS. THE AUTHORITY BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY OR CITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE, DERIVED FROM THE PAYMENT OF THE SPECIAL TAXES LEVIED WITHIN CFD 17 AS MORE FULLY DESCRIBED HEREIN.

General

The Trust Estate consists of the proceeds of the Authority Bonds, the Revenues, the amounts in the funds established and held under the Trust Estate, and the Local Obligations. The Revenues consist of amounts received by the Trustee as the payment of interest on, or the equivalent thereof, and the payment or return of principal of, or redemption premiums, if any, on, or the equivalent thereof, the CFD 17 Local Obligations and any Additional Local Obligations, whether as a result of scheduled payments, or redemption premiums, Special Tax Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any money held in the Funds held thereunder (except the Rebate Fund).

The principal of and the interest on the CFD 17 Local Obligations are payable from the annual Special Taxes levied and to be collected on all real property within CFD 17 subject to the Special Taxes and the proceeds, if any, from the sale of such property for delinquency of such Special Taxes, after payment of the City's Priority Administration Expenses. The CFD 17 Local Obligations are secured by a pledge on the net Special Taxes on parity with the pledge of such Special Taxes for any refunding local obligations issued under the Local Obligations Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—Payment of the CFD 17 Local Obligations."

The City may not issue indebtedness payable from the Special Taxes except as provided in the Local Obligations Indenture, and only for refunding of existing indebtedness. See APPENDIX C—"SUMMARY OF PRINCIPAL DOCUMENTS—SUMMARY OF THE LOCAL OBLIGATIONS INDENTURE—Authorization and Issuance of Bonds—Refunding Bonds." The City has covenanted in the Trust Agreement not to impose additional taxes or assessments on property within CFD 17 except in accordance with the provisions of the Trust Agreement. See "—Additional Authority Bonds" and APPENDIX C—"SUMMARY OF PRINCIPAL DOCUMENTS—SUMMARY OF THE TRUST AGREEMENT—Covenants of the Authority and the City—Limitation on Additional Liens." However, neither the Authority nor the City has any control over the amount of additional debt payable from taxes or assessments on all or any portion of the property within CFD 17 that may be issued in the future by other governmental entities or districts having jurisdiction over all or a portion of the land within CFD 17. To the extent such debt is payable from other assessments or special taxes levied pursuant to the applicable law, such assessments or special taxes may have a lien on the property within CFD 17 on a parity with the lien of the Special Taxes.

Flow of Funds

Receipt and Deposit of Revenues. As noted above, Revenues consist of amounts received by the Trustee as the payment of interest on, or the equivalent thereof, and the payment or return of principal of, or redemption premiums, if any, on, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments, or redemption premiums, Special Tax Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any money held under the Trust Agreement (except the Rebate Fund). All Revenues, other than Revenues derived from Special Tax Prepayments received by the Trustee from the Authority, will be deposited into the Revenue Fund. On each Interest Payment Date and each Principal Payment Date, the Trustee will transfer Revenues from the Revenue Fund, in the amounts required in the order of priority as set forth below, with the requirements of each fund being fully satisfied, leaving no deficiencies therein, prior to any deposit into any fund later in priority:

First: To the Interest Fund, an amount of Revenues which together with amounts on deposit therein, is equal to the interest due and payable on the Authority Bonds due on such Interest Payment Date;

Second: To the Principal Fund (i) on each March 1 Interest Payment Date from the Revenue Fund an amount of Revenues which is equal to one-half (1/2) of the principal amount of Authority Bonds maturing on the next succeeding September 1, (ii) on each Principal Payment Date from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Authority Bonds which have matured but which have not been presented for payment) is sufficient to pay the Principal Installments on the Authority Bonds due on such Principal Payment Date and (iii) on each September 1 on which a Minimum Sinking Fund Payment is required to be made (for deposit in the Sinking

Fund Account) from the Revenue Fund an amount of Revenues which is equal to the Minimum Sinking Fund Payment due and payable on such date. On each Principal Payment Date, the Trustee shall pay the principal or redemption price due and payable on the Authority Bonds on such date from the Principal Fund;

Following such deposits, any remaining Revenues are required to be transferred to the Local Obligations Trustee for application under the Local Obligations Indenture. For additional information regarding the Flow of Funds, see APPENDIX C—“SUMMARY OF PRINCIPAL DOCUMENTS.”

Revenues Derived from Special Tax Prepayments. All Revenues derived from Special Tax Prepayments (except the portion of such Revenues relating to accrued interest which is required under the Trust Agreement to be deposited in the Revenue Fund) of CFD 17 Local Obligations (or Local Obligations exchanged therefor) received by the Trustee will be immediately transferred to the Trustee for deposit into the applicable Redemption Fund to be applied to the extraordinary redemption of Series 2015A Bonds. See “THE SERIES 2015A BONDS—Redemption Provisions—*Extraordinary Redemption from Prepayment of Special Taxes.*”

Description of CFD 17 Local Obligations

The City of Folsom will issue the City of Folsom Community Facilities District No. 17 Special Tax Bonds, Series 2015A (the “CFD 17 Local Obligations”) in the principal amount of \$7,000,000.* The CFD 17 Local Obligations are secured solely by the Special Taxes levied upon real property within Community Facilities District No. 17 (“CFD 17”) and proceeds of foreclosure sales in CFD 17.

The pledge of Special Taxes levied within CFD 17 to the CFD 17 Local Obligations is on parity with the pledge thereof securing any additional parity debt issued under the Local Obligations Indenture. The City may issue Additional Authority Bonds secured on parity with the pledge of the Special Taxes only in accordance with the Local Obligations Indenture and only for the purpose of refunding the CFD 17 Local Obligations. See APPENDIX C—“SUMMARY OF PRINCIPAL DOCUMENTS—SUMMARY OF THE LOCAL OBLIGATIONS INDENTURE—Authorization and Issuance of Bonds—Refunding Bonds.”

A description of CFD 17 and the CFD 17 Local Obligations is set forth under the caption, “COMMUNITY FACILITIES DISTRICT NO. 17.”

Issuance of CFD 17 Local Obligations

The CFD 17 Local Obligations are authorized pursuant to the Mello-Roos Act and are issued under a resolution of the City Council of the City and the Local Obligations Indenture. The Mello-Roos Act was enacted by the California Legislature to provide an alternate method of financing certain essential public capital facilities and services, especially in developing areas of the State. Subject to approval by a two-thirds vote of qualified electors and compliance with the provisions of the Mello-Roos Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

The CFD 17 Local Obligations constitute special tax obligations of the City payable as to both principal and interest from the annual Special Tax (after payment of the City’s Priority Administration Expenses) to be levied by the City on land within CFD 17, including proceeds from the sale of property within CFD 17 collected as result of foreclosure of the lien of the Special Taxes and certain funds and accounts held under the Local Obligations Indenture. The City’s sole recourse in the event of a

* Preliminary, subject to change.

delinquency or failure to pay Special Taxes on a particular parcel is to institute foreclosure proceedings with respect to that parcel. See “—Covenant for Foreclosure” herein.

Payment of the CFD 17 Local Obligations

The CFD 17 Local Obligations constitute the limited obligations of the City payable as to both principal and interest from the annual Special Tax (after payment of the City’s Priority Administration Expenses) levied by the City on land within CFD 17, including proceeds from the sale of property within CFD 17 collected as a result of foreclosure of the lien on the Special Taxes and certain funds and accounts held under the Local Obligations Indenture. The City’s sole recourse in the event of a delinquency or failure to pay Special Taxes on a particular parcel is to institute foreclosure proceedings with respect to that parcel. “Priority Administration Expenses” means an amount equal to (i) (a) for Fiscal Year 2015-16, \$30,000, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Priority Administration Expenses on each July 1, from and including the July 1 immediately following the end of the then current Fiscal Year to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year, reduced by (ii) the percentage of the Authority Bonds that have been redeemed or have matured provided that in no event shall the Priority Administration Expenses be less than \$30,000.

THE CFD 17 LOCAL OBLIGATIONS ARE A SPECIAL TAX OBLIGATION OF THE CITY, AND THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE CFD 17 LOCAL OBLIGATIONS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX) AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE INDENTURE. NEITHER THE GENERAL FUND NOR THE FULL FAITH AND CREDIT OF THE CITY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE CFD 17 LOCAL OBLIGATIONS. THE CFD 17 LOCAL OBLIGATIONS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Although the Special Tax will constitute a lien on property subject to taxation in the related District, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of nonpayment by property owners is more fully described in “CERTAIN RISKS TO BONDHOLDERS—Collection of Special Tax.”

Special Tax Authorization

The Special Tax is to be levied and collected against all Taxable Property within CFD 17 in accordance with the rate and method of apportionment. See APPENDIX A—“RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION OF SPECIAL TAX.” The Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected, and, except as otherwise provided in the covenant for foreclosure and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—Covenant for Foreclosure” and “CERTAIN RISKS TO BONDHOLDERS—Collection of Special Tax.”

The Rate and Method of Apportionment of Special Tax, subject to the maximum rates set forth therein, apportions the total debt service requirement (principal, interest, and mandatory sinking fund

payments), restoration of the Required Bond Reserve, current annual expenses, and other costs each year among the taxable land in CFD 17. See APPENDIX A—“RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION OF SPECIAL TAX.”

Pursuant to the Local Obligations Indenture, so long as any CFD 17 Local Obligations are outstanding, the City is required annually to levy the Special Tax against all Taxable Property in CFD 17 and make provision for the collection of such Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Local Obligations Indenture, and which in any event will be sufficient to pay the interest on and principal of the CFD 17 Local Obligations as they become due and payable, to replenish the Local Obligation Reserve Account to the Required Bond Reserve and to pay all current expenses for such CFD 17 Local Obligations as they become due and payable.

Covenant for Foreclosure

The Local Obligations Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Mello-Roos Act, are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

Pursuant to Section 53356.1 of the Mello-Roos Act, in the event of any delinquency in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Such judicial foreclosure action is not mandatory. Accordingly, the City covenants in the Trust Agreement that it will annually on or before September 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if it determines on the basis of such review that the amount so collected is deficient by more than five per cent (5%) of the total amount of the Special Tax levied in such Fiscal Year, it will within sixty (60) days thereafter institute foreclosure proceedings as authorized by the Mello-Roos Act in order to enforce the lien of the delinquent installments of the Special Tax against each lot or parcel of land in CFD 17, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that irrespective of the foregoing if the City determines on the basis of such review that property owned by any single property owner in CFD 17 is delinquent by more than five thousand dollars (\$5,000) with respect to the related Special Tax due and payable by such property owner by such delinquency date, then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against such property owner; and provided further, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California.

Any Additional Local Obligations purchased or exchanged by the Authority must contain a covenant of the City to comply with the same or a more restrictive foreclosure covenant. See “—Purchase and Exchange of Local Obligations.”

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Series 2015A Bonds (if the Local Obligation Reserve Account has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. However, within the limits of the Special Tax, the City may adjust the Special Tax levied on Taxable Property in CFD 17 (subject to the limitation on the Maximum Special Tax), to provide

an amount required to pay interest on and principal of the CFD 17 Local Obligations, and the amount, if any, necessary to replenish each subaccount of the Local Obligation Reserve Account to an amount equal to the Required Bond Reserve for the related CFD 17 Local Obligations and to pay all current Expenses for CFD 17. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property (as defined in the Rate and Method) in CFD 17 will be at all times sufficient to pay the amounts required to be paid by the Local Obligations Indenture, even if the related Special Tax is levied at the Maximum Special Tax rates. See “CERTAIN RISKS TO BONDHOLDERS—Maximum Special Tax.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Mello-Roos Act does not require the City to purchase or otherwise acquire any lot or parcel of property to be sold if there is no other purchaser at such sale. The Mello-Roos Act and the Local Obligations Indenture do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Mello-Roos Act requires that property within CFD 17 that is sold pursuant to foreclosure under the Mello-Roos Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of 75% of the CFD 17 Local Obligations is obtained.

No Required Advances from Available Surplus Funds

The City is not obligated to advance available surplus funds from the City treasury to pay debt service on the CFD 17 Local Obligations or to replenish the Local Obligation Reserve Account; provided, that nothing shall affect the right of the City under the Mello-Roos Act to make advances to cure any deficiencies.

Additional Authority Bonds

In addition to the Series 2015A Bonds, the Authority may at any time, by a Supplemental Trust Agreement, authorize the issuance of Additional Authority Bonds payable from Revenues and secured by a pledge and charge and lien upon the Trust Estate equally and ratably with the Series 2015A Bonds (the “Additional Authority Bonds”) for the purchase of Additional Local Obligations or to refund Bonds, but only upon compliance by the Authority with the provisions of the Trust Agreement and any additional requirements set forth in the Supplemental Trust Agreement, and subject to the following specific conditions, which are conditions precedent to the issuance of any Additional Authority Bonds pursuant to the Trust Agreement:

If the Additional Authority Bonds are being issued to purchase Additional Local Obligations, the Authority shall have delivered to the Trustee an Officer’s Certificate and/or a certificate or certificates from one or more Special Tax Consultants that, when taken together, certify:

(i) the Maximum Special Tax for the community facilities district (each, a “District”) for which such Additional Local Obligations were issued less Priority Administration Expenses for such District during the term of such Additional Local Obligations is estimated to cover one hundred ten percent (110%) of the sum of the Annual Debt Service on such Additional Local Obligations in each year; and

(ii) either

(A) the Value of all Taxable Property in the District for which the Additional Local Obligations were issued, in aggregate, is at least six (6) times the aggregate Lien on such Taxable Property; or

(B) (i) the Value of all Taxable Property in the District for which the Additional Local Obligations were issued, in aggregate, is at least three (3) times the Lien on such Taxable Property and (ii) all such Taxable Property has obtained all Discretionary Approvals.

The Trust Agreement defines “Value” as the aggregate assessed and/or appraised value of the property, together with the assigned building permit value, if applicable. “Lien” is defined in the Trust Agreement as the aggregate principal amount of all bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District. “Discretionary Approvals” as used in the Trust Agreement means the major land use approvals and governmental permits necessary for development of the land within the District, including, as applicable, general and specific plans, zoning, tentative subdivision maps, development agreements, and other discretionary permits, but not including final subdivision maps, conditional use permits, building permits, design review and approval related to architectural features, landscaping or similar items.

If (i) such Additional Authority Bonds are being issued to refund previously issued Bonds, and (ii) Annual Debt Service in each Bond Year, calculated for all Authority Bonds that will be Outstanding after the issuance of such Additional Authority Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Authority Bonds which are Outstanding immediately prior to the issuance of such Additional Authority Bonds, the receipt of the Officer’s Certificate described above shall not be a condition precedent to the issuance of such Additional Authority Bonds.

The City has covenanted in the Trust Agreement that it will not issue bonds or other obligations secured by special taxes or fixed special assessments (including by and through a joint facilities agreement with other local agencies) and will not impose any additional special taxes or fixed special assessments on property in CFD 17 except in connection with the issuance of Additional Authority Bonds or the exchange of Local Obligations described under “—Purchase and Exchange of Local Obligations.”

Purchase and Exchange of Local Obligations

The Authority may exchange Additional Local Obligations for Local Obligations and may purchase Additional Local Obligations from time to time and in connection with the issuance of Additional Authority Bonds, provided that in connection with each such purchase or exchange:

- (a) the indenture or resolution for such Additional Local Obligations provides the following:
 - (i) the City covenants to comply with the foreclosure covenant contained in the Trust Agreement or a more restrictive foreclosure covenant with respect to any such Additional Local Obligations;
 - (ii) with respect to any exchange of Local Obligations, the principal, maturities, redemption terms and interest rates on the Additional Local Obligations are identical to the Local Obligations to be exchanged;
 - (iii) a reserve fund at least equal to the lesser of (a) ten per cent (10%) of the original principal amount of the Additional Local Obligations to be purchased and any parity local obligations issued thereunder, (b) the maximum annual debt service on such Additional Local Obligations and any parity local obligations issued thereunder payable in the current or in any

future Bond Year during which any such Additional Local Obligations are scheduled to be outstanding, (c) one hundred twenty-five per cent (125%) of the average annual debt service on such Additional Local Obligations and any parity local obligations issued thereunder payable in the current Bond Year and in all future Bond Years during which any such Additional Local Obligations are scheduled to be Outstanding, (d) such lesser amount required by the Code, or (e) if no Additional Local Obligations will be purchased at such time, the amount of the reserve fund allocable to the Local Obligations being exchanged eligible to be released upon such exchange; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to “AA” or higher assigned by Fitch or “Aa” or higher assigned by Moody’s or “AA” or higher assigned by Standard & Poor’s;

(b) the Authority delivers a certificate or certificates to the Trustee specifying the following:

(i) the provisions of the Trust Agreement relating to the issuance of Additional Authority Bonds have been satisfied;

(ii) after such purchase or exchange, the principal amount of all Local Obligations outstanding will be not less than the principal amount of all Authority Bonds Outstanding; and

(c) the Authority delivers a Cash Flow Certificate to the effect that, assuming all payments are made with respect to the Local Obligations and Additional Local Obligations, (i) the Revenues, together with moneys on deposit in other funds and accounts held under this Trust Agreement, will be sufficient to pay all Principal Installments, Minimum Sinking Fund Payments and interest payments on the Authority Bonds when due; and (ii) the redemption premiums, if any, on the Local Obligations remaining outstanding, together with other Revenues available to the Trustee for such purpose, are sufficient to offset any difference between the interest to accrue on the Authority Bonds to be paid or redeemed with the proceeds of prepayment of such Local Obligations (plus any redemption premium payable upon redemption of such Authority Bonds) and the income to be earned on any investment of such proceeds (assured as of the date of payment thereof), in each case until the date of payment or redemption of Authority Bonds, such that in no event will the prepayment of Local Obligations or Additional Local Obligations cause the Trustee to have insufficient funds to pay debt service on the Authority Bonds when due.

The CFD 17 Local Obligations

General. The CFD 17 Local Obligations will be issued in the aggregate principal amount of \$7,000,000* pursuant to the Mello-Roos Act and the Local Obligations Indenture. The CFD 17 Local Obligations will be dated the date of delivery of the Series 2015A Bonds. The CFD 17 Local Obligations are secured by a pledge of net Special Taxes levied within CFD 17.

Local Obligation Reserve Account. The Local Obligations Indenture establishes a Local Obligation Reserve Account to be held by the Local Obligations Trustee and requires that there be maintained in a subaccount within the Local Obligation Reserve Account established in connection with any CFD 17 Local Obligations an amount equal to the Required Bond Reserve. “Required Bond Reserve” is defined to mean, as of any date of calculation, the least of: (a) ten per cent (10%) of the original principal amount of the CFD 17 Local Obligations, or (b) the Maximum Annual Debt Service, or

* Preliminary, subject to change.

(c) one hundred twenty-five per cent (125%) of the average annual Debt Service on the CFD 17 Local Obligations payable in the current Bond Year and in all future Bond Years during which any CFD 17 Local Obligations are scheduled to be Outstanding, all as determined by the City under the Code and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to “AA” or higher assigned by Fitch or “Aa” or higher assigned by Moody’s or “AA” or higher assigned by Standard & Poor’s.

The Required Bond Reserve with respect to the CFD 17 Local Obligations will be \$_____.

All money in the Local Obligation Reserve Account will be used and withdrawn by the Local Obligations Trustee solely for the purpose of paying the interest on and principal of the CFD 17 Local Obligations in the event there is insufficient money available for the purpose; provided, that if as a result of any of the valuation of the Required Bond Reserve it is determined that the amount of money in the Local Obligation Reserve Account exceeds the Required Bond Reserve, the Local Obligations Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Redemption Account. Amounts on deposit in the Local Obligation Reserve Account are not available to cure a deficiency in Revenues available to pay debt service on the Series 2015A Bonds.

Special Tax Analysis

The Special Tax is to be levied and collected against all Taxable Property (as defined in the Rate and Method of Apportionment) within CFD 17 in accordance with the rate and method of apportionment (the “Rate and Method of Apportionment”) for CFD 17 approved by the landowner electors of CFD 17. The total annual levy of the Special Tax is calculated to satisfy the annual debt service during the ensuing Fiscal Year, to pay the total budgeted cost of CFD 17’s expenses during the current Fiscal Year and any sums required to satisfy delinquent debt service. A copy of the Rate and Method of Apportionment, and manner of collection of the Special Tax for CFD 17 is attached in APPENDIX A.

The Rate and Method of Apportionment is used to allocate the amount of the Special Tax required among the Taxable Property, based upon land use categories and estimated equivalent dwelling units, subject to maximum annual tax rates (the “Maximum Special Tax”) that may be levied against each land use category. The Rate and Method of Apportionment defines “Equivalent Dwelling Unit” or “EDU” as a measure of anticipated water requirements for a parcel at build-out. One EDU is equivalent to the annual water use of a high-density single family residence, which is defined in the Folsom Plan Area Specific Plan dated June 28, 2011, with the zoning designation SP-SFHD. EDU’s are assigned to land use categories by the factors shown below (“EDU Factors”):

**City of Folsom
Communities Facilities District No. 17
Maximum Special Tax Categories
Fiscal Year 2015**

<u>Land Use Category</u>	<u>EDU Factor[†]</u>
Residential	
Single Family (1-4 units/acre)	1.59 per unit
Single Family (1-4 units/acre) –Russell Ranch*	1.59 per unit
Single Family – High Density (4-7 units/acre)	1.00 per unit
Single Family – High Density (4-7 units/acre) – Russell Ranch*	1.00 per unit
Multifamily – Low Density (7-12 units/acre)	0.62 per unit
Multifamily – Medium Density (12-20 units/acre)	0.51 per unit
Multifamily – High Density (20-30 units/acre)	0.49 per unit
Mixed Use (9-30 units/acre)	0.43 per unit
Nonresidential	
Private Elementary/Middle School	6.97 per acre
Mixed Use Commercial	4.43 per acre
Industrial/Office Park	5.32 per acre
Community Commercial	4.16 per acre
General Commercial	4.16 per acre
Regional Commercial	3.95 per acre

† EDU factor assignments are subject to adjustment based on amendments to the Folsom Plan Area Specific Plan anticipated prior to June 30, 2016.

* Applicable to parcels 072-007-033-0000 and 072-0270-138-0000 and any successor parcels.

Source: MacKay & Soms and the City of Folsom.

The Rate and Method of Apportionment specifies the Maximum Special Tax of \$67.00 per EDU, to be increased on each July 1, commencing on July 1, 2016, by an amount equal to 2% of the amount in effect for the previous Fiscal Year. As described in the Rate and Method of Apportionment, the City anticipates considering a number of property-owner-requested amendments to the Folsom Plan Area Specific Plan prior to June 30, 2016, which will be reflected in updates to the EDU assignments and Maximum Special Tax assigned to each assessor’s parcel. Any approved Specific Plan amendments will result in an update to the assigned EDUs using the new land uses and the EDU Factors.

In connection with the approval of the Russell Ranch Specific Plan Amendment, the Amended Rate and Method of Apportionment includes separate EDU Factor categories for single family and single family high density zoning in the Russell Ranch project. See “COMMUNITY FACILITIES DISTRICT NO. 17—Property Ownership and Plans for Development—TNHC Russell Ranch LLC.” These separate EDU Factors have been included so that once the final water demands of the Russell Ranch project are determined, including associated hillside water demands, the Russell Ranch EDU Factors can be adjusted to account for their unique water demands of the hillside property.

As a result of each Specific Plan amendment, the EDU assignments, and the resulting Maximum Special Tax per parcel, may increase or decrease on a parcel by parcel basis. In no event will the Maximum Special Tax rate per EDU be increased beyond the annual escalation factor of 2 percent per year. The overall revenues from the Maximum Special Tax will decrease if overall EDUs decrease in connection with Specific Plan amendments prior to June 30, 2016. The City does not anticipate approving any Specific Plan amendments that would result in insufficient Special Tax revenues to pay debt service on the CFD 17 Local Obligations.

Upon the issuance of the CFD 17 Local Obligations, the Fiscal Year 2015-16 Maximum Special Tax net of Priority Administration Expenses is expected to provide coverage of approximately 162%* of maximum annual debt service for the CFD 17 Local Obligations. The coverage ratio will decrease if the overall EDU assignments decrease in connection with the Specific Plan amendments described in this section. A reduction of EDUs by 20% is expected to provide debt service coverage on the CFD 17 Local Obligations from the resulting Maximum Special Tax net of Priority Administration Expenses of no less than 130% in any year.* In addition, the coverage ratio for all Local Obligations may increase or decrease from time to time as Additional Local Obligations are purchased and exchanged for the CFD 17 Local Obligations as described above under “—Purchase and Exchange of Local Obligations.” Pursuant to the Trust Agreement, Additional Authority Bonds may not be issued and Additional Local Obligations may not be purchased or exchanged unless the Maximum Special Tax for the related District less Priority Administrative Expenses for such District is estimated to cover one hundred ten percent (110%) of the sum of the Annual Debt Service on such Additional Local Obligations per year. See “—Additional Authority Bonds” and “—Purchase and Exchange of Local Obligations.” In addition to the foregoing, under no circumstances will the special tax levied in any fiscal year against Residential Property (as defined in the Rate and Method of Apportionment) be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within CFD 17 by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. See “CERTAIN RISKS TO BONDHOLDERS—Maximum Special Tax.”

The Teeter Plan

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of the Teeter Plan by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Sacramento County Board of Supervisors has adopted the Teeter Plan. Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See “CERTAIN RISKS TO BONDHOLDERS—Teeter Plan Termination.”

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution,

* Preliminary, subject to change.

each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

The Special Tax will be submitted to the County for direct levy. By submitting the Special Tax to the County, the City has agreed to allow CFD 17 to participate in the County's Teeter Plan. The County annually determines whether to include a particular direct levy and may make that determination on a district by district basis or a parcel by parcel basis. In addition, the County may not decide to include a particular parcel or district that had been included in its Teeter Plan in the previous year.

To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, if the County elects to include CFD 17 or any portion thereof in the Teeter Plan, the County's Teeter Plan may help protect the Owners of the Series 2015A Bonds from the risk of delinquencies in Special Taxes.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, effective April 20, 2015 (the "JPA Agreement"), between the City and the City of Folsom South of 50 Parking Authority. The JPA Agreement was entered into pursuant to the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The Authority was created for the purpose of facilitating financing of public improvement facilities within the City south of Highway 50.

THE CITY

CFD 17 is located in the City of Folsom. The City is located in the easterly section of the Sacramento metropolitan area approximately 22 miles east of the central business district of the City of Sacramento.

Certain economic and demographic information with respect to the City is contained in APPENDIX B. This information is presented solely as background information. The CFD 17 Local Obligations are not general obligations of the City but, rather, are special tax obligations of the City secured solely by the Special Taxes to be paid by the owners of property in CFD 17 and funds held pursuant to the Local Obligations Indenture.

COMMUNITY FACILITIES DISTRICT NO. 17

General Description and Location

CFD 17 is a community facilities district organized by the City Council under the Mello-Roos Act for the purpose of providing for the acquisition and construction of certain public improvements to serve property within CFD 17. The City established CFD 17 on March 24, 2015.

CFD 17 is located wholly within the City of Folsom and its boundaries are nearly coterminous with the Specific Plan, excluding three parcels bordering the El Dorado County line. The maps appearing on the inside cover pages show the general location of CFD 17 and the Specific Plan boundaries. CFD 17 contains a gross area of approximately 3,300 acres.

No public improvements or backbone infrastructure have been completed in CFD 17.

Development Entitlements

Specific Plan. In June 2011, the City adopted its General Plan amendment for the Folsom Plan Area Specific Plan. The Specific Plan designates approximately 1,455.6 acres for residential uses and provides for 10,210 total dwelling units; approximately 511.3 acres for commercial uses; approximately 309.5 acres for parks, schools and other public infrastructure; approximately 1063.3 acres for open space; and 173.6 acres for major circulation. The Specific Plan authorizes development of Folsom Ranch, including CFD 17, subject to numerous requirements such as the payment of fees and charges and the installation of public infrastructure. All subdivision and development approvals, public works projects, and zoning regulations within Folsom Ranch are required to be consistent with the Specific Plan.

Development Agreement. Through City Ordinance No. 1149, the City approved a Tier 1 Development Agreement between the City and the property owners within Folsom Ranch on July 12, 2011. The effective date of the ordinance was August 11, 2011. The Tier 1 Development Agreement vests certain rights of the property owners and of the City and commits each party to the agreements to subsequent actions before development may proceed within Folsom Ranch. A First Amended and Restated Tier 1 Development Agreement was entered into among certain property owners and the City of Folsom as approved by the City through City Ordinance No. 1211. The First Amended and Restated Tier 1 Development Agreement was recorded in the official records of the County of Sacramento in July 2014.

Article 2.5 (commencing with Section 65864), of Chapter 4, Division 1, Title 7 of the California Government Code, pertaining to development agreements, has the general effect of authorizing development to continue in accordance with then existing General Plan, Specific Plan, zoning and subdivision regulations notwithstanding any subsequently enacted conflicting regulations, except for regulations the failure of which to enact would place the residents in a condition which is dangerous to their health or safety or both.

Environmental Permits and Approvals. The California Environmental Quality Act (“CEQA”), constituting Division 13 of the California Public Resources Code (commencing with Section 21000) requires that an Environmental Impact Report (an “EIR”), detailing the significant environmental effects of the project and proposed mitigation measures, be prepared, considered and certified as complete by a public agency prior to its taking discretionary action on any project which may have a significant effect on the environment.

In June 2011, after statutorily required public notice, hearing and comment, the City Council certified as adequate and complete a final EIR for the development of Folsom Ranch. The EIR satisfied both CEQA and the National Environmental Policy Act for the entirety of Folsom Ranch. To address certain environmental impacts caused by development in Folsom Ranch, the City Council also adopted a mitigation monitoring and reporting plan, binding itself, the property owners and their successors and assigns to implement the mitigation measures identified therein. These mitigation measures have been incorporated in the Specific Plan.

Folsom Ranch has received all required environmental permits, including a Section 404 Permit for the entire Folsom Ranch pursuant to Section 404 of the federal Clean Water Act. This permit allows for any necessary fill of jurisdictional wetlands and streambed alterations for the construction of backbone infrastructure to serve the entire Folsom Ranch at buildout. In addition, a Biological Opinion has been obtained from the US Fish and Wildlife Service for the entire Folsom Ranch area, together with a California Department of Fish and Wildlife Master Streambed Alteration Permit with conditions for the whole of Folsom Ranch. Additional Section 404 Permits are still required for individual property

development for much of the Taxable Property. See “—Property Ownership and Plans for Development.”

Water Supply. The City entered into an agreement (the “Water Supply Agreement”) with the property owners in Folsom Ranch providing for a water supply for new development south of State Highway 50. The Water Supply Agreement was supported by an addendum to the EIR. The Water Supply Agreement provides adequate water supply for full build out of Folsom Ranch except for the parcels adjacent to the Sacramento/El Dorado County boundary line, which will be serviced by the El Dorado Irrigation District. Those parcels are not included in CFD 17. The amount of water provided in the Water Supply Agreement to meet the build-out demands of the Folsom Ranch project is 5,600 acre-feet annually.

Water Supply in Folsom Generally. The primary water supply source for the City of Folsom is Folsom Reservoir. The City has water rights for up to 34,000 acre-feet annually (“afa”) through three different contracts with the United States Bureau of Reclamation (“Reclamation”). The surface water supplies were developed through different circumstances and, as such, are subject to unique conditions and limitations. These attributes and issues affect the volume of water available under certain conditions. Surface water supply for the portions of the City north of the American River is obtained through a contract with the San Juan Water District, and therefore is not a directly owned City supply. The surface water supplies for the City’s water service area are listed below.

- A pre-1914 appropriative water right for 22,000 acre-feet per year (Agreement with Reclamation)
- A pre-1914 appropriative water right for 5,000 acre-feet per year (Co-Tenancy agreement with Golden State Water Company)
- A Central Valley Project (CVP) contract entitlement for 7,000 acre-feet per year (Sub-Contract with Sacramento County Water Agency and used in the City’s East Area)
- Contract rights with San Juan Water District

The City’s 22,000 acre-foot entitlement is based on a pre-1914 appropriative right from the South Fork of the American River established by the Natoma Water Company (“Natoma”) in 1851. Natoma’s original pre-1914 water right established a maximum diversion rate “to fill a Canal Eight feet wide and Four feet deep with a current running Ten miles per hour.” This correlates to a diversion rate of 60 cfs and a maximum allocation of 32,000 afa. This right is held with Golden State Water Company pursuant to a co-tenancy agreement. The City’s 5,000 acre-foot entitlement is also based on Natoma’s pre-1914 appropriative right from the South Fork of the American River. In November 1994, the City executed a contract with Southern California Water Company-Folsom Division (“SCWC”) under which the City acquired the right to lease 5,000 afa (of SCWC’s remaining 10,000 afa under the original Natoma purchase) for an indefinite period. This right is held with Golden State Water Company pursuant to a co-tenancy agreement. This water right was also formally recognized in the settlement agreement between Reclamation and the City of Folsom. As authorized by Public Law No. 101-514, Folsom is also a subcontractor under Sacramento County Water Agency’s CVP water-service contract for 7,000 afa.

Under the agreements with Reclamation for 22,000 afa and 5,000 afa, Reclamation delivers this entire water supply without reduction on a permanent basis. Under the agreement with Reclamation for 7,000 afa of CVP water, this water supply faces possible reductions pursuant to Reclamation’s Municipal and Industrial Water Shortage Policy. In 1994, the City entered into an agreement with Golden State Water Company (f/k/a Southern California Water Company, herein “GSWC”) to acquire the right to

divert up to 5,000 acre feet of pre-1914 water rights water annually (the “GSWC Agreement”), subject to the terms and conditions of that agreement. Under the GSWC Agreement, the City is required to pay for the entire 5,000 acre-feet annual water supply regardless of whether the City is able to divert and use that quantity of water. The City has been using the supplies provided in the GSWC Agreement to serve the existing portion of the City known as the “East Area.” The cost of water under the GSWC Agreement has been paid for by East Area landowners and water customers.

Source of Water for Folsom Ranch. The City has determined that its Water Systems Optimization Review Program and implementation of metered rates will provide additional water supplies in an estimated amount of 6,450 acre-feet per year, which is in addition to the present and forecasted demands of the City’s existing water users. The City intends to use a portion of this 6,450 acre-feet per year of available water to meet present and future water demand in the East Area in order to make the 5,000 acre-feet per year of GSWC Agreement water supply available for use in Folsom Ranch, on the terms and conditions of that Agreement. To meet this intent, the City has converted the East Area water supply from the GSWC Agreement to the less expensive CVP contract entitlements. The City would meet the additional build-out water demand of Folsom Ranch with approximately 600 acre-feet per year of water produced by the Water Systems Optimization Review Program that is in excess of the water demand in the East Area. The water made available under the GSWC Agreement and Water Systems Optimization Review Program, including water conserved as a result of the Project, will be sufficient to supply the projected water demand in Folsom Ranch. The City has determined that the arrangement described in the validation action: (1) would not cause a reduction in the water supplies needed to meet the current and future needs of the East Area; and (b) would significantly reduce the cost of water service within the East Area by providing these customers with a less-expensive source of water supply.

Water Conservation. The City adopted by Ordinance 1118, Chapter 13.26 of the Folsom Municipal Code (“FMC”), Water Conservation. Chapter 13.26 establishes a five stage water conservation program with conservation goals and water use restrictions. The City Manager is authorized to implement and enforce whatever conservation measures are deemed necessary to achieve the water reduction requirements of the declared conservation stage.

In April 2015, Governor Edmund G. Brown issued an Executive Order that directed the State Water Resources Control Board (“SWRCB”) to implement mandatory water reductions in cities and towns across California to reduce potable urban water usage by 25 percent statewide. Under these state mandated requirements, the City has the authority through Chapter 13.26 of the FMC to issue any one of the five water conservation stages to meet the proposed water reduction target. The water conservation stage issued by the City will apply to all water customers, including the Folsom Ranch project. See CERTAIN RISKS TO BONDHOLDERS – Drought State of Emergency.”

Water Supply Infrastructure. Existing water infrastructure and pipelines run to the north side of State Highway 50. The developers of Folsom Ranch will be required to connect to this water supply and extend water infrastructure pipelines to serve the initial phases of development in Folsom Ranch. Ultimately, the Folsom Ranch developers will be required to construct improvements to the existing City water treatment plant and construct a new water pipeline transmission main from the water treatment plant into Folsom Ranch to serve the area-wide development with potable water. In order for each individual parcel to access that water supply, the developers of those parcels will need to extend infrastructure to their sites and pay appropriate connection fees.

Wastewater Treatment. The Sacramento Regional Sanitation District has an existing wastewater treatment plant with its ongoing and permitted improvement projects projected to accommodate all wastewater from development in Folsom Ranch. Existing sewer transmission mains on the north side of State Highway 50 are capable of conveying wastewater from Folsom Ranch to the existing treatment

plant. Developers of property within Folsom Ranch will need to extend infrastructure to their sites and pay appropriate connection fees for access to the existing wastewater infrastructure.

Flood Zones. No FEMA flood plain hazard maps currently exist for the property and therefore none of the property is contained within a current flood zone. The City is in process of establishing the flood plain maps to designate flood zones. The current flood analysis does not show any of the portions of CFD 17 designated for development to be contained within the future flood zone. All of the areas designated within the flood zones will be within land designated in the Specific Plan for open space.

Affordable Housing. The City charges a nonresidential housing trust fund fee to help facilitate development of affordable housing within the City. Residential development within Folsom Ranch will be required to include affordable housing units or arrange for alternative methods to meet the City's inclusionary housing requirement, such as off-site construction or payment of an in-lieu fee to the City.

Property Ownership and Plans for Development

Information in this section is included because it may be considered relevant to some investors to an informed evaluation and analysis of the taxable property within CFD 17 and any existing or future improvements thereon as security for the Series 2015A Bonds. The information contained in this section does not guarantee that property ownership will not change or that the current or any subsequent property owners will pay the Special Tax when due. In fact, as described herein, ownership of much of the taxable property in CFD 17 will change prior to development thereof. The Special Tax will constitute a lien on parcels subject to taxation within CFD 17 and not a personal indebtedness of the owners of property within CFD 17.

General

CFD 17 consists of 31 parcels split amongst 16 owners. Other than TNHC Russell Ranch, LLC and Easton Development Company, LLC (if the sale to WestLand Capital is unsuccessful as described below under WestLand Capital Partners), each as described below, the remaining property owners are investors and do not have plans to develop the property themselves. Construction within CFD 17 is dependent upon completion of the Project, favorable market conditions, and completion of additional infrastructure improvements, which are further subject to successful financing of such improvements. See "PLAN OF FINANCE—The Project" and "CERTAIN RISKS TO BONDHOLDERS – Failure to Develop."

City of Folsom
Community Facilities District No. 17
2015-16 Maximum Special Tax Obligation by Property Owner Group

Ownership Group	Number of Parcels⁽¹⁾	Gross Acres⁽²⁾	EDUs⁽³⁾	Appraised Value	2015-16 Maximum Special Tax⁽³⁾	Percentage of Maximum Special Tax
WestLand Capital Partners L.P. ⁽³⁾	16	1,673.430	4,995	\$110,819,000	\$334,665	47.7%
GenCorp Inc. ⁽⁴⁾	4	714.300	2,281	47,392,100	152,827	21.8%
TNHC Russell Ranch, LLC	3	437.573	1,458	33,681,600	97,686	13.9%
PCCP LLC ⁽⁵⁾	4	328.440	1,071	25,986,800	71,757	10.2%
Gragg Ranch Recovery Acquisition, LLC	2	138.857	550	11,802,845	36,850	5.3%
Elliott Homes Inc.	1	37.080	80	2,595,600	5,360	0.8%
Arcadian Heights, LLC	1	12.990	39	1,039,200	2,613	0.4%
Totals	31	3,342.670	10,474	\$233,320,000	\$701,758	100.0%

⁽¹⁾ Reflects number of assessor parcel numbers assigned.

⁽²⁾ The total acres for GenCorp Inc., TNHC Russell Ranch, LLC, and Gragg Ranch Recovery Acquisition, LLC, represent acreage determined as the result of field surveys performed by a registered land surveyor. The total acreage per the Sacramento County Assessor is 708.650 for GenCorp Inc., 448.075 for TNHC Russell Ranch, LLC, and 136.655 for Gragg Ranch Recovery Acquisition, LLC.

⁽³⁾ EDUs and the Maximum Special Tax are expected to be recalculated in connection with Specific Plan amendments until June 30, 2016. See APPENDIX A—"RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION OF SPECIAL TAX" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—Special Tax Analysis."

⁽⁴⁾ WestLand Capital Partners L.P. controls several of the property owners within CFD 17 as further described under "—WestLand Capital Partners, L.P. Affiliated Entities" below.

⁽⁵⁾ GenCorp Inc. controls Aerojet Rocketdyne Inc. and Easton Development Company, LLC as further described under "—GenCorp Inc. Affiliated Entities" below.

⁽⁶⁾ PCCP, LLC controls Eagle Commercial Partners, LLP, and Eagle Office Properties, LLP, as further described under "—Eagle Commercial Partners, LLP, and Eagle Office Properties, LLP" below.

Numbers in table may not foot due to rounding.

Source: NBS

The following contains a description of property owners who individually or through ownership and control account for more than 10% of the Maximum Special Tax.

WestLand Capital Partners, L.P. Affiliated Entities

Several property owners within CFD 17 are managed by an affiliate of WestLand Capital Partners LP ("WestLand Capital"), a long term investor in land largely intended and approved for residential housing. Such property owners are West Scott Road, LLC; Mangini North Holdings, LLC; Folsom Real Estate South, LLC; White Rock Land Investors, LLC; Carpenter East, LLC; West Prairie Estates, LLC; Easton Valley Holdings, LLC; and J&Z Property, LLC (collectively, the "WestLand Capital Properties"). In addition, WestLand Capital is currently in the due diligence phase of a purchase and sale agreement with Aerojet Rocketdyne Inc. and Easton Development Company, LLC, to acquire an additional 708.65 gross acres of land within CFD 17. WestLand Capital also has a partial interest in Eagle Office Properties, LLC. Collectively, the WestLand Capital Properties, prior to acquisition of the aforementioned parcels from Aerojet Rocketdyne Inc. and Easton Development Company, LLC, account for 47.7% of the total Maximum Special Tax for Fiscal Year 2015-16. After acquisition, the WestLand Capital Properties will account for 69.5% of the total Maximum Special Tax for Fiscal Year 2015-16 within CFD 17.

The Mangini Group. HBT Mangini, LLC ("HBT Mangini"), a Delaware limited liability company, is the managing member or an affiliate of the managing member of Mangini North, Folsom South, West Scott and White Rock.

Mangini North Holdings, LLC ("Mangini North") is a Delaware limited liability company that owns one parcel of approximately 103.74 gross acres of undeveloped land within CFD 17. The property

is wholly zoned for residential use and is designated for 444 single family high density dwelling units and 109 multi-family medium density dwelling units.

Folsom Real Estate South, LLC (“Folsom South”) is a Delaware limited liability company that owns seven parcels of approximately 662.58 gross acres of undeveloped land within CFD 17. The property is designated in the Specific Plan to consist of approximately 2,545 residential dwelling units including single family, high density single family, low, medium and high density multi-family and mixed use residential; approximately 19.7 gross acres of mixed use commercial; and 21.5 acres of community commercial. In addition, approximately 167.4 gross acres are reserved for parks, schools and major circulation with approximately 238.7 gross acres reserved for open space. Folsom South currently has a land seller note secured by the property. According to Folsom South, it is currently in good standing thereunder.

West Scott Road, LLC (“West Scott”), is a Delaware limited liability company that owns one parcel of approximately 72.76 gross acres of undeveloped land within CFD 17. The property is wholly zoned for residential use and is designated for 143 single family high density dwelling units and 221 multi-family low density dwelling units in the Specific Plan. Approximately 19.3 acres are reserved for open space and 4.8 acres reserved for major circulation.

White Rock Land Investors, LLC (“White Rock”) is a Delaware limited liability company that owns one parcel of approximately 122.87 gross acres of undeveloped land within CFD 17. The property is designated in the Specific Plan to consist of 440 single family high density dwelling units, 86 low density multi-family dwelling units, and approximately 34.1 gross acres of open space, neighborhood parks, elementary schools and major circulation.

HBT Mangini submitted plans to the City of Folsom in August 2014 for a large lot final map and small lot tentative map to divide the property owned by Mangini North and White Rock and portions of the property owned by Folsom South into residential subdivisions, open space and right of way. Each of the properties have obtained their respective individual Section 404 Permit with requirements for preserving and recreating wetland features anticipated to be satisfied by the purchase of credits at approved mitigation banks. Before development can proceed, the developer for the property would require design review permits, final maps and building permits for the respective residential villages. Mangini North, Folsom South, West Scott and White Rock are not developers or homebuilders and do not intend to develop the property. Mangini North, Folsom South, West Scott and White Rock intend to ultimately sell the property to developers or homebuilders for construction.

Carpenter East, LLC. Carpenter East, LLC (“Carpenter East”) is a Delaware limited liability company that owns one parcel of approximately 101.86 gross acres of undeveloped land within CFD 17. The property is designated in the Specific Plan to consist of approximately 755 dwelling units including high density single family, low density multi-family and high density multi-family housing. In addition, approximately 32.9 gross acres are reserved for open space, neighborhood parks, schools and major roadways. HBT Carpenter, LLC, a Delaware limited liability company, is the managing member of Carpenter East. The property owned by Carpenter East was included in a proposed Specific Plan amendment described above under “—*The Mangini Group.*” The property has obtained its individual Section 404 Permit with requirements for preserving and recreating wetland features anticipated to be satisfied by the purchase of credits at approved mitigation banks. Before development can proceed, the developer for the property would require design review permits, final maps and building permits. Carpenter East is not a developer or homebuilder and does not intend to develop the property. Carpenter East intends to ultimately sell the property to a developer or homebuilder for construction.

West Prairie Estates, LLC. West Prairie Estates, LLC (“West Prairie”) is a Delaware limited liability company that owns one parcel of approximately 239.53 gross acres of undeveloped land within CFD 17. The property is designated in the Specific Plan to consist of approximately 338 single family dwelling units. In addition, approximately 123.1 gross acres are reserved for open space and 6.9 gross acres for major roadways. West Prairie--HBT Carpenter, LLC, a Delaware limited liability company, is the managing member of West Prairie. The property has obtained its individual Section 404 Permit with requirements for preserving and recreating wetland features anticipated to be satisfied by the purchase of credits at approved mitigation banks. Before development can proceed, the developer for the property would require design review permits, final maps and building permits. West Prairie is not a developer or homebuilder and does not intend to develop the property. West Prairie intends to ultimately sell the property to a developer or homebuilder for construction.

Easton Valley Holdings, LLC. Easton Valley Holdings, LLC (“Easton Valley”) is a Delaware limited liability company that owns three parcels of approximately 340.09 gross acres of undeveloped land within CFD 17. The property is designated in the Specific Plan to consist of approximately 1170 dwelling units, including single family, high density single family, low and medium density multi-family, and mixed use residential. Approximately 15.8 gross acres are designated mixed use commercial. In addition, approximately 160.7 gross acres are reserved for open space and 33.3 gross acres for parks and major roadways. Easton Valley--HBT Carpenter, LLC, a Delaware limited liability company, is the managing member of Easton Valley. The property has obtained its individual Section 404 Permit with requirements for preserving and recreating wetland features anticipated to be satisfied by the purchase of credits at approved mitigation banks. Before development can proceed, the developer for the property would require design review permits, final maps and building permits. Easton Valley is not a developer or homebuilder and does not intend to develop the property. Easton Valley intends to ultimately sell the property to a developer or homebuilder for construction.

J & Z Property, LLC. J & Z Property, LLC (“J & Z Property”) is a Delaware limited liability company that owns one parcel of approximately 30.0 gross acres of land within CFD 17. The property is designated in the Specific Plan to consist of approximately 28 single family dwelling units and 119 medium density multi-family dwelling units. In addition, approximately 7.7 gross acres are reserved for open space. J & Z Property currently has a land seller note secured by the property. According to J & Z, it is currently in good standing thereunder. The property owned by J & Z Property does not currently have any entitlements other than those for the Folsom Ranch area as a whole. Before development can proceed, the developer for the property would require design review permits, final maps and building permits and would require a Section 404 Permit from the U.S. Army Corps of Engineers prior to any grading and placement of fills within wetlands on the property. J & Z Property is not a developer or homebuilder and does not intend to develop the property. J & Z Property intends to ultimately sell the property to a developer or homebuilder for construction.

The parcel contains a former residence, septic system, a well, horse corrals and a barn. These facilities are no longer in use and the former tenants have vacated the property. The ultimate developer of the property will remove these improvements in conjunction with its development of the property.

GenCorp Inc. Affiliated Entities

Aerojet Rocketdyne, Inc. (“Aerojet”) is an Ohio corporation, wholly owned by GenCorp Inc, a Delaware corporation. Easton Development Company, LLC (“Easton”) is a California limited liability company. GenCorp, through membership interests held directly (95%) and indirectly (5% through Aerojet), owns and controls Easton. Easton owns one parcel of approximately 73.8 gross acres of undeveloped land, designated in the Specific Plan for 41.9 acres of industrial/office space with the remaining acreage to remain as open space or reserved for major circulation. Aerojet currently owns two

parcels (represented by three assessor's parcel numbers) of approximately 640.5 gross acres of undeveloped land, designated in the Specific Plan for residential and 17.3 acres of commercial uses. Residential uses include 442 single family dwelling units, 680 high density single family dwelling units, 95 low density multi-family units, 161 medium density multi-family units and 246 high density multi-family units, for a total of 1,624 dwelling units. Approximately 271 acres of the Aerojet property are designated as open space, neighborhood parks or community parks, 58.7 acres are set aside for elementary schools and 33.1 acres are designated for major circulation.

On March 4, 2015, Easton and Aerojet entered into an agreement with WestLand Capital to sell their interests in such properties for \$57 million. A portion of the purchase price is contingent on future environmental clearances of a portion of the Aerojet property referred to as the Area 40 Plus Holdback Area.

In 2014, Easton submitted an application for development of the Aerojet property, including an approximately 80 acre parcel formerly owned by Country Day School. The parcel had been donated by Aerojet to Country Day School for a future school site, but Country Day School opted not to construct, causing the site to revert to its original owner, Aerojet. The planning entitlements requested include amendments to the City's General Plan, amendments to the Specific Plan to modify the zoning, a planned development permit and a development agreement amendment. In addition, Easton and Aerojet have requested large and small lot vesting tentative subdivision maps for approximately 640.5 acres of the property and a vesting tentative parcel map for the remaining approximately 73.8 acres. The proposed revisions to the land use plan include the same land uses as the existing Specific Plan slightly revised and adjusted in light of the land use and design objectives.

Superfund Site. The property owned by Aerojet and Easton is in the vicinity of, and portions of the Aerojet property are identified to be within, the federal Aerojet Superfund site known as "Area 40." The soil (including soil vapor) and groundwater in, on, at, around and under such Superfund site contains "hazardous materials" as that term is defined in Section 25260 of the California Health and Safety Code, "waste" as that term is defined in Section 13050 of the California Water Code, and "hazardous substances" as that term is defined in Section 9601(14) of CERCLA. Sampling associated with investigations of the area known as the "Area 40 Plus Holdback Area" on the site has involved detection of volatile organic chemicals in soils and groundwater, consisting principally of chlorinated solvents and perchlorate, a chemical associated with solid rocket fuel. Soil vapor mitigation may be required on the Area 40 Plus Holdback Area and potentially property nearby or adjacent to the Area 40 Plus Holdback Area. The Area 40 Plus Holdback Area is located within the property owned by Aerojet and contains approximately 148.4 gross acres. Area 40 contains approximately 73 acres. As a result, the property owned by Aerojet may be subject to land use controls to obtain necessary regulatory approvals or clearances required by the EPA, the California Department of Toxic Substances Control, and the California Regional Water Quality Control Board, Central Valley Region, for transfer and use of such portions of the property for the urbanized land uses designated in the Specific Plan and Easton's proposed revised land use plan described above. Although a significant amount of investigation has been performed to date by Aerojet, it is possible that the contamination may affect the areas around Area 40.

The U.S. Environmental Protection Agency signed a Record of Decision ("ROD") for the perimeter groundwater on February 15, 2011 including a responsiveness summary to public comments received. The ROD selected an interim remedy for groundwater and a final cleanup for the contaminated soil locations. The groundwater remedy is designed to hydraulically contain the plume areas to prevent the spread of contamination, with additional pumping and treating to intercept and remove highly contaminated groundwater where possible. The superfund site contains four different groundwater areas and some of them require cleanup actions in other areas to eliminate the contaminant source. Most of the groundwater capture system is already in place and operating. The remedy for the soil contamination is to

excavate or otherwise clean the soil areas to levels protective for residential use. The Specific Plan designates Area 40 as open space and thus it will ultimately not be part of the Taxable Property.

TNHC Russell Ranch LLC

The New Home Company (TNHC) Russell Ranch LLC (“Russell Ranch”), a Delaware limited liability company, owns three parcels consisting of approximately 437.573 gross acres designated in the approved Small Lot Tentative Map (described below) for 828 lots in three phases, consisting of 297 single family dwelling units, 417 high density single family dwelling units, and 114 medium low density dwelling units. In addition, approximately 162.7 acres are reserved for open space, 12.3 acres for public and private parks, and 13.1 acres for public/quasi-public uses (which includes a 10-acre school site).

An application for project entitlements was submitted to the City of Folsom in April 2014 that includes amendments to the specific plan, development agreement, and general plan, an inclusionary housing plan and agreement, planned development permit/design guidelines, and vesting small lot tentative subdivision map and vesting large lot tentative subdivision map. A project-level environmental impact report pursuant to the California Environmental Quality Act was released in December 2014. On April 15, 2015, the Planning Commission recommended approval of the project entitlements to the City Council and final project hearings were held May 2015 by the City Council. On May 12, 2015 the Folsom City Council certified the project-level environmental impact report as adequate and complete. The City Council approved the general plan amendment, specific plan amendment, the inclusionary housing plan and agreement, the planned development permit and project design guidelines and both the Large Lot Tentative Map as well as the Small Lot Tentative Map at the May 12, 2015 meeting. The Small Lot Tentative Map was approved for the initial three phases. The development agreement amendment is scheduled for approval in connection with the second reading of the associated ordinance at the City Council on May 26, 2015. Russell Ranch has submitted an application to the Army Corps of Engineers for an individual Section 404 Permit and has submitted an individual Section 401 Water Quality Certification Application. The developer anticipates that the Section 401 Certification and the Section 404 Permit will be received by the end of June 2015. Grading plans for the first phase of development were submitted in March 2015 and the developer anticipates improvement plans, design review approval and applications for building permits to be processed for initial home closings in late 2016/early 2017.

Russell Ranch currently has a land seller note secured by the property. According to Russell Ranch, it is currently in good standing thereunder.

TNHC Land Company, LLC, a Delaware limited liability company, managing member of Russell Ranch, has been involved in several projects in California in recent years. The following is a representative example:

- Meadows (Folsom, CA). Meadows (Folsom, CA). A 6.78 Acre site consisting of 40 single-family homes and 5 landscape lots. Entitlements were secured in November of 2012, and site improvements completed in mid-2013. Model Homes opened in September of 2013. The final homes are currently under construction with the last move-ins to occur in summer of 2015. All improvements have been accepted by The City of Folsom.
- The Cannery (Davis, CA). Approximately 100-acre mixed use development comprising 547 homes, 15 acres of commercial, an urban farm, parks and greenbelts. Entitlements were obtained in December 2013, including a tentative subdivision map, development agreement, general plan amendment, affordable housing plan, final planned development,

and neighborhood design guidelines. Site improvements commenced in 2014 and are ongoing, while vertical construction commenced in early 2015. The grand opening is anticipated for Summer 2015.

- McKinley Village (Sacramento, CA). Approximately 48.75-acre community to include 327 homes, comprehensive bicycle and pedestrian path system, neighborhood parks, a community clubhouse, and public art. Entitled in April 2014, site improvements commenced June 2014 and are ongoing. Vertical construction is anticipated in 2015 with a grand opening in Spring 2016.
- Arantine Hills (Corona, CA). Approximately 276-acre master planned community of approximately 1,322 homes. Currently undergoing local entitlements and agency permitting process in anticipation of commencing site grading and improvements in Summer 2015 with grand opening in early 2016.
- Villa Metro (Santa Clarita, CA). Approximately 30-acre master planned community of 293 single family detached homes, 22 attached live-work units and two acres of commercial space. Site development, homebuilding and new home sales is currently ongoing.
- Lambert Ranch (Irvine, CA). Approximately 51.1-acre master planned community consisting of 169 single-family detached residential dwelling units, 2,000-square-foot, resort-sized recreation space and social center, three pocket parks and open space features. Lambert Ranch offers nine floorplans in three neighborhoods. The property opened to the public in April 2012 and is entirely built out and sold.

Eagle Commercial Partners, LLC and Eagle Office Properties, LLC

Eagle Commercial Partners, LLC (“Eagle Commercial”) and Eagle Office Properties, LLC (“Eagle Office”) are California limited liability companies. Eagle Commercial owns two parcels consisting of approximately 230.48 gross acres designated in the Specific Plan for 215.0 gross acres of community and general commercial development and approximately 2.7 gross acres of open space. Eagle Office owns 2 parcels consisting of approximately 97.96 gross acres designated in the Specific Plan for 36.8 gross acres of industrial/office park development and 52.3 gross acres of open space. The remaining property is anticipated to be used for major circulation and roadways. The property is wholly undeveloped. There is no financing on the property. Eagle Commercial and Eagle Office have recorded large lot final parcel maps and have obtained individual Section 404 Permits from the Army Corps of Engineers. The Section 404 Permits require mitigation consisting of preserving and recreating wetland features, which are anticipated to be satisfied by the purchase of credits at approved mitigation banks. No credits have been purchased at this time. Eagle Commercial and Eagle Office intend to develop the property as and when market conditions demand.

Eagle Commercial and Eagle Office are controlled by PCCP, LLC, an integrated real estate finance and investment management firm. PCCP, LLC, through one of its investment platforms, was a master developer of a 1,000-acre master planned community known as Fiddyment Ranch in Roseville, consisting of approximately 4,000 single family and multi-family residential units on approximately 960 gross acres and approximately 39 gross acres of commercial and business development. In addition, PCCP, LLC, through one of its investment platforms, recently developed an approximately 300,000 square-foot retail shopping center in San Jose, California known as Village Oaks.

Property Values

The property within CFD 17 was appraised in connection with the issuance of the Authority Bonds. An appraisal of the land within CFD 17 has been prepared by Seevers, Jordan, Ziegenmeyer, Rocklin, California (the “Appraiser”) in connection with the issuance of the Authority Bonds. The appraisal estimates the land value as of April 16, 2015. The Appraisal is attached to this Official Statement as APPENDIX G.

As of the date of inspection, the Appraiser notes that CFD 17 consists of unimproved land with some structural improvements that are judged to not contribute value to the subject as a whole. The subject property was valued as unimproved land. The appraisal is based on land values at the time of inspection. The appraisal is based on certain assumptions expressed therein. Subject to those assumptions, the Appraiser estimated that the value of the land within CFD 17, as of the dates set forth above, in aggregate, is \$233,320,000. See “– Property Ownership and Development Plans” above and APPENDIX G – “APPRAISAL.”

Value-to-Lien Analysis

The following table sets forth the ratios of the appraised bulk value of the land to the total liens on the property in CFD 17. The value-to-lien ratio for CFD 17 based solely on the CFD 17 Local Obligations and the appraised bulk value of the land is 33.33:1.00*. The overall value to overlapping debt ratio including general obligation bonds and direct and overlapping assessment and special tax debt is 22.80:1.00* (see “—Overlapping Debt”).

* Preliminary, subject to change.

**City of Folsom
Community Facilities District No. 17
Fiscal Year 2014-15 Value-to-Lien Ratios**

Ownership Group	Number of Parcels⁽¹⁾	Gross Acres⁽²⁾	Assessed Value⁽³⁾	Appraised Value⁽⁴⁾	CFD 17 Local Obligations⁽⁵⁾	Existing Liens and Direct and Overlapping Debt⁽⁶⁾	Assessed Value-to- Lien Ratio	Appraised Value-to- Lien Ratio⁽⁶⁾
WestLand Capital Partners L.P. ⁽⁷⁾	16	1,673.430	\$86,930,893	\$110,819,000	\$3,338,266	\$2,724,256	14.34	18.28
GenCorp Inc. ⁽⁸⁾	4	714.300	3,314,553	47,392,100	1,524,441	110,205	2.03	28.99
TNHC Russell Ranch, LLC	3	437.573	2,228,622	33,681,600	974,413	70,005	2.13	32.25
PCCP LLC ⁽⁹⁾	4	328.440	7,915,774	25,986,800	715,773	248,013	8.21	26.96
Gragg Ranch Recovery Acquisition, LLC	2	138.857	1,133,649	11,802,845	367,576	35,740	2.81	29.26
Elliott Homes Inc.	1	37.080	1,270,000	2,595,600	53,466	39,788	13.62	27.83
Arcadian Heights, LLC	1	12.990	123,200	1,039,200	26,065	3,859	4.12	34.73
Totals⁽¹⁰⁾	31	3,342.670	\$102,916,691	\$233,320,000	\$7,000,000	\$3,231,865	10.06	22.80

⁽¹⁾ Reflects number of assessor parcel numbers assigned.

⁽²⁾ The total acres for GenCorp Inc., TNHC Russell Ranch, LLC, and Gragg Ranch Recovery Acquisition, LLC, represent acreage determined as the result of field surveys performed by a registered land surveyor. The total acreage per the Sacramento County Assessor is 708.650 for GenCorp Inc., 448.075 for TNHC Russell Ranch, LLC, and 136.655 for Gragg Ranch Recovery Acquisition, LLC.

⁽³⁾ Based on the Sacramento County assessed values as of January 1, 2014.

⁽⁴⁾ See “—Property Values” and APPENDIX G—“APPRAISAL.”

⁽⁵⁾ Represents the estimated principal amount of the CFD 17 Local Obligations in the amount of \$7,000,000. Preliminary, subject to change.

⁽⁶⁾ Represents existing overlapping debt provided by California Municipal Statistics, Inc. as of May 5, 2015, for Los Rios Community College District general obligation bonds, Folsom-Cordova Unified School District Facilities Improvement Districts No. 1, No. 2 and No. 3 general obligation bonds, and Sacramento Area Flood Control Operations and Maintenance Assessment District Bonds. See “CERTAIN RISKS TO BONDHOLDERS—Parity Taxes and Special Assessments.” Only the Assessment District Bonds are secured by a lien on the property in CFD 17.

⁽⁷⁾ WestLand Capital Partners L.P. controls several of the property owners within CFD 17 as further described under “—WestLand Capital Partners, L.P. Affiliated Entities” above.

⁽⁸⁾ GenCorp Inc. controls Aerojet Rocketdyne Inc. and Easton Development Company, LLC as further described under “—GenCorp Inc. Affiliated Entities” above.

⁽⁹⁾ PCCP, LLC controls Eagle Commercial Partners, LLP, and Eagle Office Properties, LLP, as further described under “—Eagle Commercial Partners, LLP, and Eagle Office Properties, LLP” above.

⁽¹⁰⁾ Values rounded to nearest dollar. Totals may not foot due to rounding.

Source: NBS

Overlapping Debt

Set forth below is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within CFD 17. Additional indebtedness could be authorized by other public agencies at any time. This table has been prepared by California Municipal Statistics, Inc. as of May 5, 2015, and is included for general information purposes only. California Municipal Statistics, Inc., allocates overlapping debt based on the assessed value of property and not on taxes paid. The City and the Authority have not reviewed the data for completeness or accuracy and make no representations in connection therewith.

CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 17

2014-15 Local Secured Assessed Valuation: \$102,916,691

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Los Rios Community College District	0.066%	\$ 237,700
Folsom-Cordova Unified School District School Facilities Improvement District No. 1	0.041	12,494
Folsom-Cordova Unified School District School Facilities Improvement District No. 2	0.917	260,667
Folsom-Cordova Unified School District School Facilities Improvement District No. 3	6.879	2,718,821
Sacramento Area Flood Control Operations and Maintenance Assessment District	0.070	2,184
City of Folsom Community Facilities District No. 17	100.	8,000,000 (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$11,231,866
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	0.080%	\$ 221,806
Sacramento County Pension Obligations	0.080	779,147
Sacramento County Board of Education Certificates of Participation	0.080	5,808
Los Rios Community College District Certificates of Participation	0.066	3,742
Folsom-Cordova Unified School District Certificates of Participation	0.608	114,851
City of Folsom General Fund Obligations	0.903	67,425
Sacramento Metro Fire District General Fund and Pension Obligation Bonds	0.005	<u>3,531</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$1,196,310
Less: Sacramento County supported obligations		<u>4,988</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$1,191,322
 GROSS COMBINED TOTAL DEBT		\$12,428,176 (2)
NET COMBINED TOTAL DEBT		\$12,423,188

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

Ratios to 2014-15 Local Secured Assessed Valuation:

Direct Debt (\$8,000,000)	7.77%
Total Direct and Overlapping Tax and Assessment Debt	10.91%
Gross Combined Total Debt	12.08%
Net Combined Total Debt.....	12.07%

Source: California Municipal Statistics, Inc.

CERTAIN RISKS TO BONDHOLDERS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2015A Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2015A Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2015A Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2015A Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Levy of the Special Tax

The principal source of payment of debt service on the CFD 17 Local Obligations, from which funds for the payment of the Series 2015A Bonds are derived, is the proceeds of the annual levy and collection of the related Special Tax against property in CFD 17. The annual levy of the Special Tax is

subject to the Maximum Special Tax rates authorized within CFD 17. The levies cannot be made at higher rates even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available moneys, will not be sufficient to pay debt service on the CFD 17 Local Obligations. Other funds which might be available include funds derived from the payment of delinquent Special Tax and funds derived from the tax sale or foreclosure and sale of related Taxable Property on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Property and the amount of the levy of the Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the CFD 17 Local Obligations, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and application of the Rate and Method of Apportionment. Application of the Rate and Method of Apportionment will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property in CFD 17. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

- Reduction in the number of Taxable Property for such reasons as acquisition of Taxable Property by the federal government or an agency thereof, asserting immunity (however, see “Exempt Properties” below) from taxation, thereby resulting in an increased tax burden on the remaining Taxable Property.
- Failure of the related owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels, subject to the related Maximum Special Tax.

Collection of Special Tax

In order for the City to pay debt service on the CFD 17 Local Obligations, from which funds for the payment of the Series 2015A Bonds are derived, it is necessary that the Special Tax levied against land in CFD 17 be paid in a timely manner. The City has established a Local Obligation Reserve Account under the Local Obligations Indenture in the amount of the Required Bond Reserve to pay debt service on the CFD 17 Local Obligations, in the event that a portion of the Special Taxes are not paid on time.

The Local Obligations Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Mello-Roos Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

Pursuant to the Mello-Roos Act, in the event of any delinquency in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the City has covenanted that it will annually on or before September 1 of each year review the public records of the

County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if it determines on the basis of such review that the amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in such Fiscal Year, it will within 60 days thereafter institute foreclosure proceedings as authorized by the Mello-Roos Act in order to enforce the lien of the delinquent installments of the Special Tax against each lot or parcel of land in CFD 17, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that irrespective of the foregoing if the City determines on the basis of such review that property owned by any single property owner in CFD 17 is delinquent by more than \$5,000 with respect to the Special Tax due and payable by such property owner by such delinquency date, then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against such property owner; and provided further, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Mello-Roos Act.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Series 2015A Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Local Obligation Reserve Account is depleted. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—Covenant for Foreclosure.”

The City may be unable to make full or timely payment of debt service on the CFD 17 Local Obligations if property owners in CFD 17 fail to pay installments of the Special Tax when due, if the Local Obligation Reserve Account is depleted, or if the City is unable to sell related foreclosed parcels for amounts sufficient to cover the delinquent installments of the Special Tax.

Shapiro v San Diego

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *Shapiro v. San Diego City Council*, 117 Cal. Rptr. 2d 631, 96 Cal. App. 4th 904 (2002). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego, much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all the real property in the entire City. The CCFD is comprised of all of the real property in all of the City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties.

At the election to authorize such special tax, the electorate was limited to owners of hotel properties and lessees of certain of such hotel properties. Thus, the election was a landowner election limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

In the case of the CCFD, at the time of the election there were many, many registered voters within the CCFD (viz., all of the registered voters in the City of San Diego). In the case of CFD 17, there were no registered voters within CFD 17 at the time of the election to authorize the Special Tax. In City of San Diego, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters.

Thus, by its terms, the Court's holding does not apply to the special tax election in CFD 17. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." The Special Tax was approved by the voters on March 24, 2015. Based on Section 53341 of the Act and its analysis of existing laws, regulations, rulings and court decisions, the City does not believe that a challenge to the Special Tax may now be brought.

Concentration of Ownership

Generally, the risk of delinquency or nonpayment of Special Taxes at levels which do not permit the timely payment of principal of and interest on the Authority Bonds is inversely correlated to the diversity of ownership of Taxable Property within CFD 17. As of May 1, 2015, there were 16 individual property owners. Taking ownership and control of the property owners into consideration, property within CFD 17 is controlled by 8 different individuals or organizations. Collectively, the WestLand Capital Properties currently account for 47.7% of the total Maximum Special Tax for Fiscal Year 2015-16. After the acquisition of the Aerojet and Eastland properties, the WestLand Capital Properties will account for 69.5% of the total Maximum Special Tax for Fiscal Year 2015-16 within CFD 17. See "COMMUNITY FACILITIES DISTRICT NO. 17—Property Ownership." The fact that most of the property providing the ultimate security for the payment of CFD 17 Local Obligations is controlled by only a small number of owners means that timely payment of the Special Tax and, therefore, the Series 2015A Bonds, will depend initially upon the willingness and ability of this finite number of owners to pay the Special Tax when due. The only asset of each owner of property within CFD 17 which constitutes security for the CFD 17 Local Obligations is such owner's real property holdings located within CFD 17.

There can be no assurance that the undeveloped property will be fully developed and that property ownership will be further diversified as a result. See "CERTAIN RISKS TO BONDHOLDERS—Failure to Develop."

Payment of the Special Tax is Not a Personal Obligation of a Property Owner

A PROPERTY OWNER IS NOT PERSONALLY OBLIGATED TO PAY THE SPECIAL TAX. RATHER, THE SPECIAL TAXES ARE OBLIGATIONS ONLY AGAINST THE PROPERTY. IF THE VALUE OF THE PARCELS OF PROPERTY IS NOT SUFFICIENT, TAKING INTO ACCOUNT OTHER OBLIGATIONS ALSO PAYABLE THEREBY, TO FULLY DISCHARGE THE SPECIAL TAX, THE CITY WILL HAVE NO RECOURSE AGAINST THE PROPERTY OWNER.

Special Tax Delinquencies

The Special Taxes are billed to the properties within CFD 17 on the *ad valorem* property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments. If the County includes CFD 17 in the Teeter Plan, the County will be obligated to pay the City 100% of the amount of the Special Taxes actually levied in CFD 17, regardless of any delinquencies. However, the County is required to terminate the Teeter Plan if two-thirds of the participants so petition the Board of Supervisors and may discontinue the Teeter Plan as to CFD 17 if its delinquency rate exceeds 3%. Moreover, the County determines annually whether to include a particular district in the Teeter Plan and may not include CFD 17. See "—Teeter Plan Termination" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—The Teeter Plan." Significant delinquencies in the payment of annual Special Tax installments, or delays in the prosecution of foreclosure proceedings to collect such Special Taxes, could result in a default in the payment of the debt service on the Series 2015A Bonds. See "—Bankruptcy" and "—FDIC/Federal Government Interests in Properties" below, for a discussion of the limitations on

the City's ability to foreclose on the lien of the Special Taxes in certain circumstances and the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes.

Teeter Plan Termination

The County has implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. The County determines annually which special taxes and assessment levies to include in the Teeter Plan. Pursuant to its Teeter Plan, once the County determines to include special taxes and assessment levies in the Teeter Plan, the County provides the local agency and local agency and taxing area with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may help protect Owners from the risk of delinquencies in the payment of Special Taxes. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. In addition, the County may decide not to include certain special taxes and assessment levies, including CFD 17, in the Teeter Plan in any fiscal year. Any termination of the Teeter Plan with respect to CFD 17 would eliminate such protection from delinquent Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—The Teeter Plan."

Land Values

If a property owner defaults in the payment of the Special Tax, from which funds for the payment of the Series 2015A Bonds are derived, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. The value of taxable property in CFD 17 is therefore an important consideration in evaluating the security for the Series 2015A Bonds. Land values could be adversely affected by economic factors beyond the City's control, such as relocation of employers out of the area, stricter land use regulations, the absence of water, or destruction of property caused by, among other eventualities, earthquake, flood or other natural disaster, or by environmental pollution or contamination.

Drought State of Emergency

On January 17, 2014, with California facing water shortfalls in the then driest year in recorded state history, Governor Edmund G. Brown Jr. proclaimed a State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In the State of Emergency declaration, Governor Brown directed state officials to assist farmers and communities that are economically impacted by dry conditions and to ensure the State can respond if Californians face drinking water shortages. The Governor also directed state agencies to use less water and hire more firefighters and initiated a greatly expanded water conservation public awareness. In addition, the proclamation gave state water officials more flexibility to manage supply throughout California under drought conditions.

California set a new "low water" mark on April 1, 2015, with its early-April snowpack measurement. The statewide electronic reading of the snowpack's water content stood at 5 percent of the April 1st average. April 1, 2015's content was only 1.4 inches, or 5 percent of the 28-inch average. The lowest previous reading since 1950 was 25 percent of average, so 2015 is the driest winter in California's written record.

In April 2015, Governor Edmund G. Brown issued an Executive Order that directed the State Water Resources Control Board ("SWRCB") to implement mandatory water reductions in cities and towns across California to reduce potable urban water usage by 25 percent statewide. Under these state

mandated requirements, the City has the authority through Chapter 13.26 of the Folsom Municipal Code to issue any one of the five water conservation stages to meet the proposed water reduction target. The water conservation stage issued by the City will apply to all water customers, including the Folsom Ranch project.

The emergency regulations developed by the SWRCB became effective May 15, 2015, and include two items that directly impact newly constructed homes and buildings. First, irrigation with potable water outside of newly constructed homes and buildings inconsistent with regulations or other requirements established by the California Building Standards Commission and the Department of Housing and Community Development is prohibited. Second, the Department of Water Resources shall update the Model Water Efficient Landscape Ordinance to increase water efficiency standards for new and existing landscapes. Specifically, these two requirements prohibit use of potable water for irrigation outside of new home construction without drip or microspray systems. The emergency regulations do not limit new construction for the State (including Folsom Ranch) and thus, are only expected to impact the water for outdoor irrigation as described above.

The implementation of mandatory water reductions is ongoing. The City cannot predict how long the drought conditions will last, what effect drought conditions may have on property values or whether or to what extent water reduction requirements may affect the construction of improvements within CFD 17.

Appraisal Risks

The Appraiser has estimated the market value of the property in CFD 17 on the basis of certain assumptions which the Appraiser believes to be reasonable under the circumstances. See the Appraisal included in APPENDIX G hereto. However, certain of the assumptions made by the Appraiser may prove to be untrue.

Although the City believes that the Appraiser's methodology and assumptions are reasonable under the circumstances, the Appraiser's market value conclusions are expressions of professional opinion only. No assurance can be given that the market values of property in CFD 17 are equal to or greater than the Appraiser's estimated values, nor can any assurance be given that such market values will not decline during the period of time the Series 2015A Bonds are Outstanding. The values of the property in CFD 17 can be adversely affected by a variety of factors, including, but not limited to, the occurrence of one or more of the special risk events discussed herein. A decline in the value of a parcel in CFD 17 could lower the ability or willingness of the owner of such parcel to pay Special Taxes when due and would decrease the amount recoverable at a foreclosure sale of such parcel.

See "COMMUNITY FACILITIES DISTRICT NO. 17—Property Values" for a further discussion of estimated property values in CFD 17.

Zoning and Land Use Decisions

The Special Taxes, from which funds for the payment of the Series 2015A Bonds are derived, are to be levied annually based upon the land use categories in effect for the property. Decisions made by the City Council, which has control over zoning and land use decisions for property in the City, will affect the prospective use of the property and, therefore, the tax base for the Special Tax.

Exempt Properties

Certain properties are exempt from Special Tax, from which funds for the payment of the Series 2015A Bonds are derived. In addition, the Mello-Roos Act provides that properties or entities of the state, federal or local government are exempt from Special Tax; provided, however, that property in CFD 17 acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. In addition, the Mello-Roos Act provides that if property subject to Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay Special Tax with respect to that property is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Mello-Roos Act have not been tested.

Maximum Special Tax

Within the limits of the Special Tax, the City may adjust the Special Tax on all property in CFD 17 to provide an amount required to pay interest on, principal of, Sinking Fund Payments for and redemption premiums, if any, on the CFD 17 Local Obligations, and the amount, if any, necessary to cure delinquencies and replenish the Local Obligation Reserve Account to an amount equal to the Required Bond Reserve for the CFD 17 Local Obligations, and to pay all current Expenses for CFD 17. However, the amount of the Special Tax that may be levied property in CFD 17 is subject to the Maximum Special Tax per EDU. As a result of each Specific Plan amendment, the EDU assignments, and the resulting Maximum Special Tax per parcel, may increase or decrease on a parcel by parcel basis. However, in no event will the Maximum Special Tax rate per EDU be increased, beyond the annual escalation factor of 2 percent per year. If there is an overall reduction in the EDU assignments within CFD 17, the total Maximum Special Tax revenues available in CFD 17 will also decrease. Although the Maximum Special Tax is designed to provide Special Tax revenues on an annual basis, there is no assurance that the Maximum Special Tax on the property in CFD 17 will be sufficient to pay the amounts required to be paid by the Local Obligations Indenture at all times, from which funds for the payment of the Series 2015A Bonds are derived. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS—Special Tax Authorization” and APPENDIX A—“RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION OF SPECIAL TAX.”

Pursuant to Section 53321 of the Act as applied to CFD 17, under no circumstances will the special tax levied in any fiscal year against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within CFD 17 by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. For such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued.

Ballot Initiatives

From time to time constitutional initiatives or other initiative measures may be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State or any political subdivisions thereof, including the Authority or the City, to increase revenues or to increase appropriations, the ability of the landowners to complete their developments, or the ability of the City to collect the Special Tax.

Disclosures to Future Purchasers

The City has recorded notice of the Special Tax Lien in the Office of the County Recorder of the County of Sacramento. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a parcel of land, a home or a commercial or industrial facility in CFD 17 or the lending of money thereon. The Mello-Roos Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax, from which funds for the payment of the Series 2015A Bonds are derived, when due.

Parity Taxes and Special Assessments

The ability or willingness of a property owner in CFD 17 to pay the Special Tax, from which funds for the payment of the Series 2015A Bonds are derived, could be affected by the existence of other taxes and assessments imposed upon the property either currently existing or imposed in the future. The assessments and any penalties thereon constitute a lien against the lots and parcels of land on which they have been levied until they are paid. Such lien is on parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes and other special assessments regardless of when they are imposed upon the same property. The Special Tax has priority over all existing and future private liens imposed on the property. In addition, other public agencies whose boundaries overlap those of CFD 17 could, with or in some circumstances without the consent of the owners of the land in CFD 17, impose additional taxes or assessment liens on the property in CFD 17 in order to finance public improvements to be located inside or outside of CFD 17.

Although the City has covenanted not to impose additional special taxes or assessments on property within CFD 17 except in accordance with the Local Obligations Indenture and Trust Agreement, the Authority and the City have no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property in CFD 17. The imposition of additional liens on a parity with the assessments could reduce the ability or willingness of the owners of parcels in CFD 17 to pay the Special Tax and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Tax or the principal of and interest on the CFD 17 Local Obligations when due. As described under “PLAN OF FINANCE—Folsom Ranch Infrastructure Plan of Finance,” the City plans to issue Additional Local Obligations secured by special taxes from time to time to finance backbone infrastructure and public improvements within Folsom Ranch and CFD 17.

Bankruptcy

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid tax, as discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015A BONDS,” may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the Series 2015A Bonds (including Bond

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

Although bankruptcy proceedings would not cause the lien of the Special Tax to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale of tax sale proceedings, thereby delaying such proceedings perhaps for an extended period. Any such delays would increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2015A Bonds and the possibility of delinquent tax installments not being paid in full. To the extent that property in CFD 17 continues to be owned by a single or a limited number of property owners, the chances are increased that the Local Obligation Reserve Account could be fully depleted during any such delay in obtaining payment of delinquent Special Tax. As a result, sufficient moneys would not be available in the Local Obligation Reserve Account to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the CFD 17 Local Obligations on a timely basis. The payment of Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid tax could be delayed by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting rights of creditors generally or by the laws of the State of California relating to judicial foreclosure. Further, should remedies be exercised under the federal bankruptcy laws against parcels in CFD 17, payment of the Special Tax may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over the Special Tax in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

Geologic, Topographic and Climatic Conditions

The value of the property in CFD 17 in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property 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, landslides and floods and climatic conditions such as droughts. The occurrence of seismic activity in CFD 17 could result in substantial damage to properties in CFD 17 which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay the Special Tax on their property. CFD 17 is not located in any existing special study zone delineated by the Chief of the Division of Mines and Geology of the State of California as an area of known active faults and is not otherwise known to be located within an area of any significant seismic activity. However, it may be expected that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the property may decline.

Failure to Develop

Land development operations are subject to comprehensive federal, State of California and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. It is possible that the approvals necessary to complete development of all taxable property within CFD 17 are not obtained on a timely basis. Failure to obtain any such agency approval or satisfy any such government requirement could adversely affect

land development operations. In addition future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within CFD 17, could be enacted, and future land use initiatives approved by the voters in the City could add more restrictions and requirements on development within CFD 17.

Moreover, there can be no assurance that the means and incentive to conduct land development operations within CFD 17 will not be adversely affected by a deterioration of the real estate market or economic conditions generally, future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, acts of war or terrorism, or other factors.

The Taxable Property in CFD 17 is presently undeveloped. Undeveloped property is less valuable per acre than developed property, especially if there are no plans to develop such property or if there are severe restrictions on the development of such property, and therefore provides less security to the owners of the Series 2015A Bonds should it be necessary for the City to foreclose due to the nonpayment of the Special Taxes. In addition, the property owners have not yet obtained certain key entitlements for construction to commence, including but not limited to Section 404 Permits pursuant to Section 404 of the federal Clean Water Act and tentative maps. Delays in any property owner's ability to obtain discretionary approvals would in turn delay the construction of improvements and development of the Taxable Property within CFD 17. Furthermore, an inability to develop the land within CFD 17 as currently proposed would result in slower rates of diversification of property ownership within CFD 17. Concentration of ownership increases the risk of a failure to collect sufficient Special Taxes to pay debt service on the Series 2015A Bonds, all other things being equal. The timely payment of Special Taxes levied on undeveloped property depends primarily upon the ability and willingness of owners of such property to pay such taxes when due. A slowdown in or cessation of the development of land within CFD 17 could reduce the ability and willingness of such owners to make Special Tax payments, and could greatly reduce the value of such property in the event it has to be foreclosed upon to collect delinquent special taxes. See "—Bankruptcy" above for a discussion of certain limitations on the ability of CFD 17 to pursue judicial foreclosure proceedings with respect to taxpayers with delinquent Special Taxes.

Future Private Indebtedness

At the present time, all of the property in CFD 17 is undeveloped. In order to develop any improvements on that land, the property owners will need to construct private improvements, the cost of which may increase the private debt for which the land in CFD 17 or other land or collateral owned by the property owners is security over that contemplated by the CFD 17 Local Obligations, and such increased debt could reduce the ability or desire of the property owners to pay the Special Tax secured by the land in CFD 17. It should be noted however, that the lien of any private financing secured by the land within CFD 17 would be subordinate to the lien of the Special Tax.

No Independent Review of Valuation or Viability of Completed Projects

Property within CFD 17 is comprised of separate and distinct projects as described above. Payment of Special Taxes are inherently dependent upon the development within CFD 17, and, with respect to residential properties, the ability of the buyers of completed homes to pay. The Authority, the City, and the Underwriter have not reviewed any business plan for continued ownership, development and/or operation of the property within CFD 17. Similarly, the Authority, the City and the Underwriter have not conducted any independent evaluation of the existing or projected economic viability or profitability of any of the plans for development, including review and/or evaluation of financial statements of any owner or developer of any parcel subject to the Special Tax. The information contained herein regarding the proposed development and the owners of the parcels within CFD 17 has been

supplied by such owners and the Underwriter has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of such information.

In the event an owner or developer experiences financial difficulties, including difficulties resulting from construction or operation of the development within CFD 17, the value of the affected parcel within CFD 17 may decline and/or such owner or developer may elect to refrain from payment of future Special Taxes for such parcel. See also “– Failure to Develop.”

Endangered Species

During recent years, there has been an increase in activity at the State of California and federal level related to the possible listing of certain plant and animal species found in California as endangered species. An increase in the number of endangered species is expected to curtail development in a number of areas. At present, the property within CFD 17 is not known to be inhabited by any plant or animal species listed as threatened or endangered under either the State of California or federal endangered species acts or which either the California Fish and Game Commission or the United States Fish and Wildlife Service has proposed for addition to the respective endangered species list. Notwithstanding this fact, new species are proposed to be added to the State of California and federal protected lists on a regular basis. Any action by the State or federal governments to protect species located on or adjacent to undeveloped property could negatively affect the developer’s ability to complete development as planned. This, in turn, could reduce the likelihood of timely payment of the Special Tax, from which funds for the payment of the Series 2015A Bonds is derived, and would likely reduce the value of the land and the potential revenues available at a foreclosure sale for delinquent Special Taxes. See “CERTAIN RISKS TO BONDHOLDERS—Land Values.”

Hazardous Substances

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 in CFD 17 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. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels in CFD 17 be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal liability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure. Certain property in CFD 17 includes a federal Superfund site. The ability of the City to conduct foreclosure proceedings and the value of such property may be adversely affected by the existence of the Superfund site. See “COMMUNITY FACILITIES DISTRICT NO. 17—Property Ownership—GenCorp Inc. Affiliated Entities—*Superfund Site*.”

The assessed valuation of property in CFD 17 does 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. While the City is not aware that the

owner (or operator) of any of parcels has such a current liability with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but 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 affect the value of a parcel within CFD 17 that is realizable upon a delinquency.

FDIC/Federal Government Interests in Properties

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

Under the Supremacy Clause of the United States Constitution, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within CFD 17 but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson*, 597 F.2d 174 (1979), the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

Neither the Authority nor the City have undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Authority Bonds are outstanding

In the event that any financial institution making any loan which is secured by real property within CFD 17 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the Authority to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided

under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad *valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes. According to information available from the Sacramento County assessment roll, the FDIC does not currently own any of the property in CFD 17.

The Authority is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within CFD 17 in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at foreclosure sale. Such an outcome could cause a draw on the reserve account for the Local Obligations and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Local Obligations and the Series 2015A Bonds.

No Acceleration Provision

The Local Obligations Indenture does not contain a provision allowing for the acceleration of the Series 2015A Bonds in the event of a payment default or other default under the terms thereof.

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Series 2015A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the City subsequent to the issuance of the Series 2015A Bonds in violation of the City's covenants with respect to the Series 2015A Bonds. Should interest become includable in gross income, the Series 2015A Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or unless earlier redeemed pursuant to optional or mandatory redemption.

LEGAL MATTERS

The validity of the Series 2015A Bonds, the CFD 17 Local Obligations and certain other legal matters are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"). Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement and expresses no opinion as to the matters set forth herein. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. Certain legal matters relating to the CFD 17 Local Obligations will be passed upon by Orrick, Herrington & Sutcliffe LLP, as bond counsel to the City. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance of the Series 2015A Bonds.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2015A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth as APPENDIX E hereto.

To the extent the issue price of any maturity of the Series 2015A Bonds is less than the amount to be paid at maturity of such Series 2015A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2015A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2015A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2015A Bonds is the first price at which a substantial amount of such maturity of the Series 2015A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2015A Bonds accrues daily over the term to maturity of such Series 2015A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2015A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2015A Bonds. Beneficial Owners of the Series 2015A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2015A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2015A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2015A Bonds is sold to the public.

Series 2015A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2015A Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2015A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2015A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2015A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond

Counsel's attention after the date of issuance of the Series 2015A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2015A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2015A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2015A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2015A Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2015A Bonds. Prospective purchasers of the Series 2015A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Authority Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2015A Bonds ends with the issuance of the Series 2015A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the Beneficial Owners regarding the tax-exempt status of the Series 2015A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2015A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2015A Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

NO LITIGATION

At the time of delivery of and payment for the Series 2015A Bonds, and the CFD 17 Local Obligations, the Authority and/or the City, as applicable, will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory agency, public board or body pending or threatened against the Authority or the City affecting their existence, or

the titles of their respective officers, or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2015A Bonds or the CFD 17 Local Obligations, the application of the proceeds thereof in accordance with the Trust Agreement, or the collection or levy of the Special Taxes to pay the principal of and interest on the CFD 17 Local Obligations, or in any way contesting or affecting the validity or enforceability of the CFD 17 Local Obligations and the Series 2015A Bonds, the Trust Agreement, the Local Obligations Indenture, the Bond Purchase Contract entered into among the Authority, the City and the Underwriter or any other applicable agreements or any action of the Authority or the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or the City or their authority with respect to the Series 2015A Bonds or the CFD 17 Local Obligations or any action of the Authority or the City contemplated by any of said documents, nor, to the knowledge of the Authority, is there any basis therefor.

NO RATING

The Authority has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Series 2015A Bonds. The absence of a rating may significantly adversely affect the ability of the owner of Series 2015A Bonds to sell such Series 2015A Bonds.

FINANCIAL ADVISOR

The City has retained Fieldman Rolapp & Associates as financial advisor (the “Financial Advisor”) in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2015A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

Part of the compensation of the Financial Advisor is contingent upon the issuance of the Series 2015A Bonds.

UNDERWRITING

The Series 2015A Bonds are being purchased by Piper Jaffray & Co. (the “Underwriter”) pursuant to a Bond Purchase Contract (the “Purchase Contract”), by and among the Authority, the City and the Underwriter. Pursuant to the Purchase Contract, the Underwriter has agreed to purchase all of the Series 2015A Bonds from the Authority at a purchase price of \$_____, being the aggregate principal amount of the Series 2015A Bonds of \$_____, plus/less an original issue premium/discount of \$_____ and less an Underwriter’s discount of \$_____. The Underwriter may offer and sell the Series 2015A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Series 2015A Bonds. Under the Agreement, Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

The Underwriter has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Series 2015A Bonds

from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Authority Bonds that CS&Co. sells.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners to provide certain financial information and operating data relating to the Series 2015A Bonds by not later than 270 days following the end of the City's fiscal year (which fiscal year currently ends June 30) commencing with the report for the 2014-15 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of material events is contained within APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The City is committed to complete and accurate continuing disclosure in accordance with its continuing disclosure obligations under the federal securities laws, including rules and regulations promulgated by the SEC and the MSRB, as those rules may be amended from time to time. However, during the past five years, there were specific instances where complete and accurate disclosure was not achieved, including, (1) the City's audited financial statements for Fiscal Year 2011 were posted late to EMMA on April 23, 2012; (2) the incorrect set of CUSIP numbers was linked to an annual continuing disclosure report for Fiscal Year 2011 for the Folsom Public Financing Authority's (the "FPFA") 2004 Special Tax Revenue Bonds, Senior Series A; (3) in January 2014, the FPFA audited financial statements were posted to eight of the FPFA's revenue bonds rather than the required City audited financial statements; the City audited financial statements were otherwise posted to and available on EMMA and on the City's website; (4) the City failed to file notices of significant events related to ratings changes of bond insurers on 21 occasions; (5) a notice of listed event for a trustee name change was filed late for 4 debt issues; Union Bank changed their name to MUFG Union Bank on July 1, 2014, and the notice was posted on April 29, 2015; and (6) the City failed to file a notice of significant event related to a bond redemption on one occasion. The description of these instances of non-compliance in this Official Statement is not an acknowledgement that any such non-compliance was material. Further, the City has made remedial filings to address these instances of non-compliance, and has policies and procedures in place in order to achieve compliance with its continuing disclosure undertakings.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Authority, the City and the purchasers of the Series 2015A Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or CFD 17 since the date hereof.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of such documents and reports are available for inspection at the office of the Finance Director of the City, City of Folsom, City Hall, 50 Natoma Street, Folsom, California 95630.

The execution and delivery of the Official Statement by the Authority and the City has been duly authorized by the Board of Directors of the Authority and the City Council, respectively.

FOLSOM RANCH FINANCING AUTHORITY

By: _____
Treasurer

CITY OF FOLSOM

By: _____
Finance Director

APPENDIX A

**RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION OF SPECIAL
TAX**

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**AMENDED RATE AND METHOD OF APPORTIONMENT FOR
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 17
(Willow Hill Pipeline)**

A Special Tax as hereinafter defined shall be levied on each Assessor's Parcel of Taxable Property within the City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) and collected each Fiscal Year commencing in Fiscal Year 2015-2016 in an amount determined by the City Council through the application of the appropriate Special Tax for Taxable Property as described below. All of the Taxable Property within CFD No. 17, unless exempted by law or by the provisions hereof, shall be taxed for the purposes to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meaning:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on County records, such as an Assessor's Parcel Map and secured roll data, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Subdivision Map, condominium plan, record of survey, or other recorded document creating or describing the parcel. It is expected that Specific Plan Amendments will occur through June 30, 2016 and impact acreage. Said Specific Plan Amendments will be reflected in Acreage amounts. If the preceding maps for a land area are not available, the Acreage of such land area may be determined utilizing GIS data.

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

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the administration of CFD No. 17 including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City, or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 17 or any designee thereof of complying with arbitrage rebate requirements or responding to questions from the IRS or SEC pertaining to any Bonds or any audit of any Bonds by the SEC or IRS; the costs to the City, CFD No. 17 or any designee thereof of providing continuing disclosure regarding the Bonds pursuant to applicable state or federal securities law; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 17 or any designee thereof related to any appeal of the levy or application of the Special Tax; and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 17 for any other administrative purposes, including, but not limited to, attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“Assessor’s Parcel” means a lot or parcel shown in an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the County Assessor of the County designating parcels by an Assessor’s Parcel number.

“Bonds” means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 17 under the Act.

“Bond Year” means a one-year period beginning on September 2nd in each year and ending on September 1st in the following year, unless defined differently in the applicable Indenture.

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

“CFD No. 17” means City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline).

“City” means the City of Folsom.

“City Council” means the City Council of the City, acting as the legislative body of CFD No. 17.

“County” means the County of Sacramento.

“Developed Property” means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to June 1 of the previous Fiscal Year.

“Equivalent Dwelling Unit” or “EDU” means a measure of anticipated water requirements for a parcel at build-out. One EDU is equivalent to the annual water use of a high density single family residence, which is identified in the Folsom Plan Area Specific Plan dated June 28, 2011 with the zoning designation SP-SFHD. EDU’s are assigned to land use categories as shown in Attachment A of this Rate and Method of Apportionment. Before June 30, 2016, the CFD Administrator may revise the EDU Factors in Attachment A to reflect changes that may be necessary as a result of Specific Plan Amendments approved by the City Council prior to June 30, 2016.

“Exempt Property” means all Assessors’ Parcels that are exempt from the Special Tax pursuant to Section E.1.

“Final Subdivision Map” means a subdivision of property created by recordation of a final subdivision map, parcel map or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or recordation of a condominium plan pursuant to California Civil Code 1352, that creates individual lots for which residential building permits may be issued without further subdivision of such property.

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

“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 Special Tax” means the maximum annual Special Tax, determined in accordance with the provisions of Section C, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Open Space Property” means property within the boundaries of CFD No. 17 which (a) has been designated with specific boundaries and acreage on a Final Subdivision Map as open space, (b) is classified by the County Assessor as open space, (c) has been irrevocably offered for dedication as open space to the federal government, the State of California, the County, the City, any other public agency, or (d) is encumbered by an easement or other restriction required by the City limiting the use of such property to open space.

“Original Parcel” means an Assessor’s Parcel listed in the table of Attachment B to this Rate and Method of Apportionment.

“Outstanding Bonds” mean all Bonds, which remain outstanding as defined in the Indenture pursuant to which such Bonds were issued.

“Property Owner Association Property” means any property within the boundaries of CFD No. 17 which is (a) owned by a property owner association or (b) designated with specific boundaries and acreage on a Final Subdivision Map as property owner association property. As used in this definition, a property owner association includes any master or sub-association.

“Proportionately” means for Taxable Property that the ratio of the Special Tax levy to the Maximum Special Tax is equal for all Assessors’ Parcels within each classification (Developed Property or Undeveloped Property) of Taxable Property within CFD No. 17.

“Public Property” means any property within the boundaries of CFD No. 17 which (a) is owned by a public agency, (b) has been irrevocably offered for dedication to a public agency, or (c) is designated with specific boundaries and acreage on a Final Subdivision Map as property which will be owned by a public agency. For purposes of this definition, a public agency includes the federal government, the State of California, the County, the City or any other public agency.

“Residential Property” means all Assessor’s Parcels of Taxable Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Special Tax” means the annual special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement.

“Special Tax Requirement” means that amount of Special Tax revenue required in any Fiscal Year for CFD No. 17 to: (i) Pay Administrative Expenses in an amount designated by the City; (ii) pay annual debt service on all Outstanding Bonds due in the Bond Year beginning in such Fiscal Year; (iii) pay other periodic costs on Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on Outstanding Bonds; (iv) pay

any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; (v) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; and (vi) pay directly for the acquisition and/or construction of public improvements which are authorized to be financed by CFD No. 17; less (vi) a credit for funds available to reduce the annual Special Tax levy as determined by the CFD Administrator pursuant to the Indenture.

“Specific Plan Amendment” means an action approved by the City Council that amends the land use and/or zoning of one or more properties within the Folsom Plan Area Specific Plan.

“State” means the State of California.

“Successor Parcel” means an Assessor’s Parcel created by the subdivision or lot line adjustment from an Original Parcel. Once created, the Successor Parcel will be treated in the same manner as an Original Parcel in the creation of any additional Successor Parcels from such Successor Parcel.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 17 that are not exempt from the Special Tax pursuant to law or Section E below.

“Trustee” means the financial institution appointed pursuant to an Indenture to act as the trustee, fiscal agent, or paying agent or a combination thereof to administer a series of Bonds for and on behalf of CFD No. 17 and the City under such Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor’s Parcels within CFD No. 17 shall be classified as Taxable Property or Exempt Property. Taxable Property shall be further classified as an Original Parcel or a Successor Parcel. Taxable Property shall also be classified as Undeveloped Property or Developed Property and shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below.

C. MAXIMUM SPECIAL TAX RATE

The Maximum Special Tax for each Assessor’s Parcel of Taxable Property is computed below.

1. Original Parcels

The Maximum Special Tax rate per EDU for an Original Parcel for Fiscal Year 2015-2016 is \$67.00. A list of the CFD No. 17 Original Parcels, along with the assigned number of EDUs, and total 2015-2016 Maximum Special Tax is provided in Attachment B of this Rate and Method of Apportionment. The City anticipates considering a number of property-owner-requested Specific Plan Amendments and any such amendments approved by the City Council prior to June 30, 2016 shall be reflected in this Rate and

Method of Apportionment. Before the Fiscal Year 2015-16 Special Tax levy and before the Fiscal Year 2016-17 Special Tax levy, the CFD Administrator shall update the EDU assignments and Maximum Special Tax for each Assessor's Parcel in Attachment B, using the amended land use plan and EDU Factors from Attachment A for all Specific Plan Amendments approved by the City Council by June 30 of the preceding Fiscal Year.

As a result of each Specific Plan Amendment the EDU assignments, and the resulting Maximum Special Tax per parcel, may increase or decrease on a parcel by parcel basis. However, in no event will the Maximum Special Tax rate per EDU be increased, beyond any increases allowed in the provisions of Section C.3 below. When Attachment B is updated to reflect changes from an approved Specific Plan Amendment, the update shall apply to all Assessor's Parcels in Attachment B, with one exception. The one exception is that once a Developed Property has been assigned a Maximum Special Tax, that Developed Property Maximum Special Tax shall only be increased subject to Section C.3 below and will not be considered as part of the reallocation process described above. However, if the result of the Specific Plan Amendment will result in a decrease of the Maximum Special Tax for Developed Property, the Developed Property will participate in the Specific Plan Amendment process.

2. Successor Parcels

When an Original Parcel changes or subdivides, the Maximum Special Tax shall be apportioned to each Successor Parcel so that there is no net loss in Maximum Special Tax revenue. The process for apportioning the Maximum Special Tax of the Original Parcel to the Successor Parcel(s) is as follows:

- Step 1: Identify the Successor Parcels created by the Original Parcel change or subdivision.
- Step 2: Using Sacramento County records, City records and City zoning information at the time of the change or subdivision, land use development plans, and EDU land use assignments in Attachment B of this Rate and Method of Apportionment, calculate the number of EDUs for each Successor Parcel of Taxable Property identified in Step 1. Successor Parcels classified as Public Property, Property Owner Association Property, or Open Space Property will not be assigned EDUs and will be classified as Exempt Property pursuant to Section E.
- Step 3: Sum the number of EDUs calculated in Step 2 for each Successor Parcel.
- Step 4: Divide the assigned EDUs for each Successor Parcel by the total EDUs from Step 3 to arrive at the Maximum Special Tax factor for each Successor Parcel.
- Step 5: For each Successor Parcel, multiply the Maximum Special Tax factor by the total Maximum Special Tax for the Original Parcel(s).

Once created, if a Successor Parcel further changes or subdivides, the steps shall be repeated to determine the Maximum Special Tax for each additional Successor Parcel created from the change or subdivision.

3. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2016, the Maximum Special Tax rate per EDU shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2015-2016 and for each following Fiscal Year, the City Council shall determine the Special Tax Requirement, and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at a rate up to 100% of the applicable Maximum Special Tax for Developed Property to satisfy the Special Tax Requirement.

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

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property in any Fiscal Year be increased as a consequence of the delinquency or default in the payment of the Special Tax by the owner or owners of any other Taxable Property by more than ten percent above the amount that would have been levied against such Assessor's Parcel in such Fiscal Year had there been no delinquencies or defaults.

E. EXEMPTIONS

1. The CFD Administrator shall classify the following as Exempt Property: Public Property, Property Owner Association Property, Open Space Property, and Assessor's Parcels with public or utility easements making impractical their utilization for any use other than the purposes set forth in the easement.
2. The Maximum Special Tax obligation for Taxable Property which will be transferred or dedicated to a public agency and will be classified as Public Property shall be prepaid in full by the seller, pursuant to Section I, prior to the transfer/dedication of such property. Until the Maximum Special Tax obligation for any such property is prepaid, the property shall continue to be subject to the levy of the Special Tax. An exception to this may be made if an Assessor's Parcel of Public Property, such as a school site, is relocated to an Assessor's Parcel of Taxable Property, in which case the Assessor's Parcel of previously Public Property becomes Taxable Property and the Assessor's Parcel of previously Taxable Property becomes Public Property. This trading of an Assessor's Parcel from Taxable Property to Public Property will be permitted to the extent there is no loss in EDUs and the transfer is agreed to by the owners of all Assessor's Parcels involved in the transfer, the CFD Administrator, and the City.

3. If the use of an Assessor's Parcel changes so that such Assessor's Parcel is no longer eligible to be classified as one of the uses set forth in Section E.1 above that would make such Assessor's Parcel eligible to continue to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

F. REVIEW/APPEALS

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error. If following such consultation the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action (if any by the CFD Administrator), the landowner or resident believes such error still exists, such person may file a written notice with the City Manager appealing the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action (if any by the City Manager), the landowner or resident believes such error still exists, such person may file a written notice with the City Council appealing the amount of the Special Tax levied on such Assessor's Parcel.

The City may establish such procedures, as it deems necessary to undertake the review of any such appeal. The City shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the City shall be final and binding to all persons.

G. INTERPRETATIONS

Interpretations may be made by the CFD Administrator. If necessary, interpretations may be made by the City Council, by ordinance or resolution, for purposes of clarifying any vagueness or ambiguity as it relates to this Rate and Method of Apportionment.

H. MANNER OF COLLECTION

The annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 17, may, at the sole discretion of the City, directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner as necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels of Taxable Property that are delinquent in the payment of Special Taxes.

I. PREPAYMENT OF MAXIMUM SPECIAL TAX

The following definitions apply to this Section I:

“CFD Public Facilities” means those public facilities authorized to be financed by CFD No. 17.

“CFD Public Facilities Costs” means either \$7,600,000 in 2015 dollars, which shall increase by the Construction Inflation Index on July 1, 2016, and on each July 1 thereafter, or such lower number as shall be determined either by (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or (b) the Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under this Rate and Method of Apportionment.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the 20-City Average, measured as of June in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the 20-City Average.

“Construction Fund” means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct the CFD Public Facilities.

“Future Facilities Costs” means the CFD Public Facilities Costs minus the portion of the CFD Public Facilities Costs previously funded from (a) proceeds of all previously issued Bonds, (b) proceeds from other sources, including grants, used to fund CFD Public Facilities, (c) interest earnings on the Construction Fund actually earned prior to the date of prepayment, and (d) proceeds of Special Tax revenues levied to pay for the acquisition or construction of CFD Public Facilities. In no case, shall the Future Facilities Costs be less than zero.

“Outstanding Bonds” means all previously issued Bonds which will remain outstanding after the first principal payment date following the then current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Taxes.

1. Prepayment in Full

The Maximum Special Tax obligation of an Assessor's Parcel of Taxable Property may be prepaid and permanently satisfied as described herein; provided that there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 60 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture. The CFD Administrator may charge a fee for providing this service.

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

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

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Step Number:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Taxable Property, compute the Maximum Special Tax.
3. Divide the Maximum Special Tax computed pursuant to Step 2 by the total Maximum Special Taxes for the entire CFD No. 17 based on the Taxable Property Maximum Special Taxes which could be charged in the current Fiscal Year, excluding any Assessor's Parcels which have prepaid the Maximum Special Tax.
4. Multiply the quotient computed pursuant to Step 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
5. Compute the current Future Facilities Costs.
6. Multiply the quotient computed pursuant to Step 3 by the total Future Facilities Costs to compute the amount of the Future Facilities Amount to be retired and prepaid (the "*Future Facilities Amount*").
7. Multiply the Bond Redemption Amount computed pursuant to Step 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine that portion of Special Taxes levied on the Assessor's Parcel in the current Fiscal Year to satisfy the Special Tax Requirement which have not yet been paid.
10. Compute the amount the CFD Administrator reasonably expects to derive from the

reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to Steps 8 and 9 and subtract the amount computed pursuant to Step 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
13. A reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to Step 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "*Capitalized Interest Credit*").
14. The Maximum Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 4, 6, 7, 11 and 12, less the amount computed pursuant to Steps 13 and 14 (the "*Prepayment Amount*").
15. From the Prepayment Amount, the amounts computed pursuant to Steps 4, 7, 11, and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds and make debt service payments. The amount computed pursuant to Step 6 shall be deposited into the Construction Fund. The amount computed pursuant to Step 12 shall be retained by CFD No. 17.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment amount that is not \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Maximum Special Tax obligation of an Assessor's Parcel of Taxable Property may be partially prepaid in increments of \$5,000. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = the Partial Prepayment Amount

PE = the Prepayment Amount calculated according to Section I.1

A = the Administrative Fees and Expenses calculated according to Section I.1

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax obligation.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax obligation shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the amount of partial prepayment expressed in increments of \$5,000, and (iii) the company or agency that will be acting as the escrow agent, if applicable. Partial prepayment must be made not less than 60 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such partial prepayment may be given to the Trustee pursuant to the Indenture. The CFD Administrator may charge a fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the Administrator shall (i) distribute the funds remitted to it according to Step 15 of Section I.1, and (ii) indicate in the records of CFD No. 17 that there has been a partial prepayment of the Maximum Special Tax obligation and that a portion of the Maximum Special Tax obligation equal to the outstanding percentage $(1.00 - F)$ of the remaining Maximum Special Tax obligation shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed partial prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

J. TERM OF SPECIAL TAX

The Maximum Special Tax shall be levied commencing in Fiscal Year 2015-2016 to the extent necessary to fully satisfy the Special Tax Requirement and shall be levied for a period no longer than the 2045-2046 Fiscal Year.

**Attachment A
City of Folsom
Community Facilities District No. 17
(Willow Hill Pipeline)
Land Use Category and EDU Factor**

Land Use Category	EDU Factor (1)
Residential	
Single Family (1-4 units/acre)	1.59 per unit
Single Family (1-4 units/acre) – Russell Ranch (2)	1.59 per unit
Single Family – High Density (4-7 units/acre)	1.00 per unit
Single Family – High Density (4-7 units/acre) – Russell Ranch (2)	1.00 per unit
Multifamily – Low Density (7-12 units/acre)	0.62 per unit
Multifamily – Medium Density (12-20 units/acre)	0.51 per unit
Multifamily – High Density (20-30 units/acre)	0.49 per unit
Mixed Use (9-30 units/acre)	0.43 per unit
Nonresidential	
Private Elementary/Middle School	6.97 per acre
Mixed Use Commercial	4.43 per acre
Industrial/Office Park	5.32 per acre
Community Commercial	4.16 per acre
General Commercial	4.16 per acre
Regional Commercial	3.95 per acre

Source: MacKay & Soms and City of Folsom

- (1) EDU factor assignments are subject to adjustment based on Specific Plan Amendments approved by the City Council prior to June 30, 2016.
- (2) Applicable to Original Parcels 072-0070-033-0000 and 072-0270-138-0000 and any such Successor Parcels of these two Original Parcels.

Attachment B
City of Folsom
Community Facilities District No. 17
(Willow Hill Pipeline)
Original Parcel EDU Assignment and Maximum Special Tax
(Fiscal Year 2015-2016)

Assessor's Parcel Number	EDU Assignment (1)	Maximum Special Tax
072-0060-007-0000	119	\$7,973
072-0060-012-0000	54	3,618
072-0060-073-0000	339	22,713
072-0060-076-0000	138	9,246
072-0060-077-0000	535	35,845
072-0060-078-0000	280	18,760
072-0060-079-0000	161	10,787
072-0060-080-0000	249	16,683
072-0060-081-0000	271	18,157
072-0060-082-0000	208	13,936
072-0060-083-0000	500	33,500
072-0060-084-0000	198	13,266
072-0060-085-0000	494	33,098
072-0060-086-0000	137	9,179
072-0060-087-0000	1,582	105,994
072-0070-006-0000	496	33,232
072-0070-033-0000	1,244	83,348
072-0070-035-0000	39	2,613
072-0231-140-0000	223	14,941
072-0270-138-0000	214	14,338
072-0270-147-0000	80	5,360
072-3190-001-0000	546	36,582
072-3190-002-0000	49	3,283
072-3190-003-0000	351	23,517
072-3190-004-0000	280	18,760
072-3190-005-0000	191	12,797
072-3190-006-0000	147	9,849
072-3190-007-0000	539	36,113
072-3190-008-0000	329	22,043
072-3190-009-0000	481	32,227
Totals:	10,474	\$701,758

(1) EDU assignments are subject to adjustment based on Specific Plan Amendments approved by the City Council prior to June 30, 2016.

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APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF FOLSOM

This Appendix contains principally economic and demographic information relating to the City of Folsom. Neither the faith and credit nor the taxing power of the City, the Authority, the State of California or any political subdivision thereof is pledged to the payment of the Series 2015A Bonds. The Authority has no taxing power. Except for the Trust Estate, no other revenues or taxes are pledged to the payment of the Series 2015A Bonds. The Series 2015A Bonds are not general obligations of the Authority or the City, but are limited obligations of the Authority payable solely from the Trust Estate derived from the payment of the special taxes levied within CFD 17, as more fully described in the Official Statement to which this Appendix is appended. The information set forth herein that has been obtained from sources, other than the City is believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. Information contained in this Appendix B is presented as general background data.

General

The City of Folsom (the “City”) is located in the eastern portion of Sacramento County (the “County”), approximately 110 miles northeast of San Francisco and 20 miles east of Sacramento. The City was first incorporated in 1946 and was chartered in 1990. The City is located along the eastern end of the Highway 50 corridor in an area of the Sacramento Valley that has experienced considerable growth over the past 10 years.

Population

The following table sets forth historical and estimated population figures for the City.

**TABLE B-1
CITY OF FOLSOM AND SACRAMENTO COUNTY
POPULATION**

<u>Year</u>	<u>City of Folsom</u>	<u>Sacramento County</u>
2004	64,285	1,345,990
2005	66,242	1,368,649
2006	67,762	1,386,480
2007	68,925	1,402,501
2008	70,597	1,418,344
2009	71,051	1,432,168
2010	72,203	1,418,788
2011	72,393	1,427,961
2012	72,650	1,433,510
2013	72,150	1,442,752
2014	74,014	1,454,406

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State. 2010 data based on 2010 Census.

Major Employers

The following table gives recent employment information for the City's largest employers.

**TABLE B-2
CITY OF FOLSOM
MAJOR EMPLOYERS
AS OF APRIL 30, 2015**

Employer	Product/Service	Employees	% of Total Employment
Intel Corporation	Electronic Manufacturers	6,255	17.82
California State Prison – Sacramento	Government Entities	1,721	4.90
Folsom State Prison	Government Entities	1,031	2.94
Folsom Cordova Unified School District	Education	912	2.60
Mercy Hospitals of Folsom	Health Care Facilities	682	1.94
California ISO	Utilities	556	1.58
Micron Technology ⁽¹⁾	Electronic Manufacturers	480	1.37
City of Folsom	Government Entities	395	1.13
Walmart	Retail	291	0.83
Verizon	Telecommunications	270	0.77
	Total Top Employers	12,593	35.11
	Total Labor Source ⁽²⁾	35,100	100.00

⁽¹⁾ Count is from June 30, 2014. Current update could not be obtained.

⁽²⁾ Total labor force provided by EDD Labor Force Data, March 2015.

Source: City of Folsom.

City Government

The City was incorporated in 1946 and chartered in 1990. The City's primary governing body is the City Council, composed of five members who are elected at large and who serve four-year terms. The council members choose a mayor and vice mayor from among their members. Current City Council members are:

<u>Member</u>	<u>Term Expires</u>
Andy Morin (Mayor)	11/2018
Steve Miklos (Vice Mayor)	11/2018
Kerri Howell	11/2018
Ernie Sheldon	11/2016
Jeff Starsky	11/2016

The City operates under a Council-Manager form of government. The City Manager is responsible for daily administration of City affairs. Evert W. Palmer has served as City Manager since 2011. The City Manager is appointed by and serves at the will of the City Council. The City Manager is responsible for implementation of City Council policy, enforcement of City laws and ordinances, appointment and discipline of City officers and employees, oversight of City departments, preparation and submission of the City budget to the City Council, and other related functions.

Construction Activity

Building activity for Fiscal Year 2010 through Fiscal Year 2014 in the City is shown in the following table.

**TABLE B-3
CITY OF FOLSOM
BUILDING PERMIT VALUATION
FISCAL YEAR 2010 THROUGH FISCAL YEAR 2014**

	2010	2011	2012	2013	2014
<u>Permit Valuation</u>					
New Single-family	\$23,668,610	\$15,213,921	\$42,048,588	\$83,919,939	\$69,846,696
New Multi-family	810,542	7,298,790	7,179,184	12,279,468	-
Res. Alterations/Additions	5,572,987	4,807,648	3,564,884	5,495,003	6,481,657
Res. Other	<u>12,756,287</u>	<u>18,508,663</u>	<u>53,394,272</u>	<u>17,094,740</u>	<u>22,679,391</u>
Total Residential	\$42,808,426	\$45,829,022	\$106,186,928	\$118,789,120	\$99,007,744
New Commercial	\$5,610,763	\$904,461	\$1,000,000	\$62,706,447	\$676,430
New Industrial	-	-	275,000	-	1,250,000
Comm./Ind.					
Alterations/Additions	28,492,672	31,709,223	12,690,186	21,310,219	16,513,432
Non Res. Other	<u>14,163,283</u>	<u>5,895,377</u>	<u>10,221,728</u>	<u>27,052,741</u>	<u>125,651,868</u>
Total Nonresidential	\$48,266,718	\$38,509,061	\$24,186,914	\$111,069,407	\$144,091,730
<u>New Dwelling Units</u>					
Single Family	78	56	162	331	279

Source: City of Folsom, Community Development Department.

Community Facilities

The four-county Sacramento Metropolitan Area offers multiple parks, playgrounds, theaters and golf courses. Recreational activities offered along the American and Sacramento Rivers include fishing, swimming, boating, biking, horseback riding and hiking. Varied cultural opportunities include art galleries and museums, two major symphonies, three ballet companies, scores of movie theaters showing first run films and many theater groups offering live stage plays. In February 2011, the \$50 million Three Stages Performing Arts Complex at Folsom Lake College opened. The state of the art facility is one of the largest college performing arts centers in the state and hosts theatre, symphonies, and ballets.

Media outlets in the four-county area consist of more than 30 newspapers, nine television stations (four network, four independent, one public) and 30 radio stations.

Education

The Folsom-Cordova Unified School District operates schools both in the City and in the Sacramento suburb of Rancho Cordova, which borders the City to the west. In the City, the school district now has three high schools, two middle schools, and ten elementary schools. The school district headquarters are located in the City.

Institutions of higher learning situated in the Sacramento area include California State University, Sacramento, and the University of California at Davis, which includes a medical school and law school. Private universities, such as William Jessup University, the University of Sacramento, and National University also have campuses in the Sacramento region. Other institutions include the McGeorge School of Law (University of the Pacific), and extensions and satellites of schools such as the University of Southern California, University of San Francisco, Golden Gate University, and Drexel University among others. There are a number of Community Colleges in the region, including Folsom Lake College. In addition to the main campus located within the City, this college operates the El Dorado and Rancho Cordova centers and enrolls more than 8000 students.

Utilities

The Sacramento Municipal Utility District (“SMUD”) supplies electricity to the City and throughout Sacramento County. SMUD’s electrical rates continue to be among the lowest in the nation.

The Pacific Gas and Electric Company (“PG&E”) supplies natural gas to the City and throughout Sacramento County from sources in California, the southwestern United States, and Canada. PG&E is one of the oldest utility companies in California and is the largest in the United States. For many years it has provided natural gas for the continually growing population in its service area.

The City is served by AT&T, which is the principal telephone utility in Sacramento County. However, several telephone firms are active in the area.

The City’s water treatment plant produces and delivers high-quality drinking water, supplying water to the portion of the City south of the American River. The Water Division of the City’s Utilities Department inspects and maintains the over 340 miles of water mains, 19,350 service connections and 2,800 fire hydrants. The City recently finished a three-year Drinking Water Improvement Program to upgrade the Water Treatment Plant to meet the latest state water regulations and ensure a safe and reliable drinking water supply.

The City provides sewage collection services for the entire City. The Sewer Division of the City’s Utilities Department inspects and maintains over 260 miles of pipeline, 9 lift stations, and 21,550 connections. Sewage treatment is provided by the Sacramento Regional County Sanitation District.

The City also provides solid waste collection services. The Solid Waste Division of the City’s Utilities Department operates a fleet of solid waste vehicles for collection, as well as providing recycling, household hazardous waste pickup and disposal, and neighborhood clean-up services for the entire City.

APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement and the Local Obligations Indenture pertaining to the Bonds and the Local Obligations. This summary is supplemental to the summary of other provisions of such documents contained elsewhere in this Official Statement and is not intended to be definitive. Reference is directed to such documents for the complete text thereof. Copies of such documents are available from the City of Folsom.

SUMMARY OF THE TRUST AGREEMENT

Definitions

“Act” shall mean the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 *et seq.* of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto.

“Additional Authority Bonds” shall mean Additional Authority Bonds issued on a parity with the Series 2015A Bonds and all other Outstanding Authority Bonds issued pursuant to the Trust Agreement.

“Additional Local Obligations” shall mean additional obligations of the City of Folsom or another local agency purchased or exchanged for Local Obligations by the Authority pursuant to the Trust Agreement.

“Annual Debt Service” shall mean, for each Bond Year, the sum of (a) the interest due on the Outstanding Authority Bonds or Local Obligations, as applicable, in such Bond Year, assuming that the Outstanding Authority Bonds are retired as scheduled (including by reason of Mandatory Sinking Fund Payments), and (b) the principal of the Outstanding Authority Bonds or Local Obligations, as applicable, due in such Bond Year (including by reason of Mandatory Sinking Fund Payments).

“Authority” shall mean the Folsom Ranch Financing Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California, and its successors and assigns.

“Authorized Denominations” shall mean with respect to the Series 2015A Bonds, five thousand dollars (\$5,000) and any integral multiple thereof, but not exceeding the principal amount of the Authority Bonds maturing on any one date, and with respect to each series of Additional Authority Bonds, the authorized denominations for such series of Additional Authority Bonds specified in the Supplemental Trust Agreement pursuant to which such Additional Authority Bonds are issued.

“Authorized Officer” shall mean, when used with reference to the Authority, the Chair, the Treasurer or any other person authorized by the Authority in a Written Order or resolution to perform an act or sign a document on behalf of the Authority for the purposes of the Trust Agreement, and when used with reference to the City, the Mayor, the Finance Director or any other person authorized by the City in a Written Order or resolution to perform an act or sign a document on behalf of the City for the purposes of the Trust Agreement.

“Authority Bond” or “Authority Bonds” shall mean any Authority Bond or all of the Authority Bonds, as the case may be, authorized and issued by the Authority and authenticated by the Trustee and delivered under the Trust Agreement, which Authority Bonds are secured by a pledge of the Revenues, and includes the Series 2015A Bonds and any Additional Authority Bonds issued under the Trust

Agreement. “Serial Authority Bonds” shall mean the Authority Bonds for which no Minimum Sinking Fund Payments are provided. “Term Authority Bonds” shall mean the Authority Bonds which are payable on or before their specified maturity date from Minimum Sinking Fund Payments established for that purpose and calculated to retire such Authority Bonds on or before their specified maturity date.

“Bond Counsel” shall mean Orrick, Herrington & Sutcliffe LLP or another attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions.

“Bond Register” shall mean the registration books specified as such in the Trust Agreement.

“Bond Year” shall mean each twelve-month period beginning on September 2 in each year and extending to the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the date of issuance of the Series 2015A Bonds and end on September 1, 2015.

“Business Day” shall mean any day other than (i) a Saturday or a Sunday or (ii) a day on which commercial banks in New York, New York, or the city in which the Corporate Trust Office of the Trustee is located, are closed.

“Cash Flow Certificate” shall mean a written certificate executed by a Cash Flow Consultant.

“Cash Flow Consultant” provided, that the Authority may appoint as the Cash Flow Consultant any other financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field relating to municipal securities such as the Bonds, appointed and paid by the City or the Authority and who, or each of whom:

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

The Cash Flow Consultant shall not be deemed to have a “financial advisory relationship” with the Authority within the meaning of California Government Code Section 53590(c).

“CFD No. 17” shall mean the City of Folsom Community Facilities District No. 17, established by the City pursuant to the Act.

“CFD No. 17 Local Obligations” shall mean the Community Facilities District No. 17 Special Tax Bonds, Series 2015 to be issued by the City for CFD No. 17 pursuant to the Act and to be purchased by the Authority pursuant to the Law.

“City” shall mean the City of Folsom, California.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

“Corporate Trust Office” shall mean the principal corporate trust office of the Trustee in California at which at any particular time its corporate trust business shall be administered, except that with respect to presentation of Authority Bonds for registration, payment, redemption, transfer or exchange, such term shall mean the principal corporate trust office of the Trustee in St. Paul, Minnesota.

“Dated Date” shall mean the applicable date of the original execution and delivery of a series of Authority Bonds.

“Developed Parcels” shall mean the Taxable Property within the Districts for which a certificate of occupancy has been issued by the City or structural assessed value appears in the most recent Sacramento County Tax Roll.

“Discretionary Approvals” shall mean the major land use approvals and governmental permits necessary for development of the land within the District, including, as applicable, general and specific plans, zoning, tentative subdivision maps, development agreements, and other discretionary permits, but not including final subdivision maps, conditional use permits, building permits, design review and approval related to architectural features, landscaping or similar items.

“District” shall mean each applicable community facilities district organized and existing under the laws of the State including the Act and in accordance with the formation proceedings of which the Local Obligations were issued.

“DTC” shall mean The Depository Trust Company, in New York, New York; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depository as the Authority may designate in an Officer’s Certificate delivered to the Trustee.

“Event of Default” shall mean any event of default specified as such in the Trust Agreement.

“Fiscal Year” shall mean the fiscal year of the Authority, which at the date of the Trust Agreement is the period commencing on July 1 in each calendar year and ending on June 30 in the following calendar year.

“Fund” or “Funds” shall mean any or all, as the case may be, of the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Proceeds Fund, the Local Obligation Fund and the Rebate Fund, including all accounts therein.

“Government Obligations” shall mean any Investment Securities described in clause (i) or clause (ii) of the definition thereof but excluding any securities that are callable or prepayable prior to the redemption or maturity date of the Authority Bonds to be paid therefrom, and excluding any securities that do not have a fixed par value or the terms of which do not promise a fixed dollar amount at maturity or earlier call date.

“Interest Payment Date” shall mean March 1 and September 1 in each year, commencing on March 1, 2016.

“Investment Securities” shall mean and include any of the following securities, to the extent permitted by the laws of the State and the City’s Investment Policy as it may be amended from time to time:

- (i) Cash (insured at all times by the Federal Deposit Insurance Corporation or fully collateralized by Investment Securities described in clause (ii) hereof);

(ii) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:

- (A) All direct or fully guaranteed U.S. Treasury obligations;
- (B) Farmers Home Administration;
- (C) General Services Administration;
- (D) Guaranteed Title XI financing;
- (E) Government National Mortgage Association (GNMA); and
- (F) U.S. Treasury - State and Local Government Series;

(iii) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- (A) Export-Import Bank;
- (B) Rural Economic Community Development Administration;
- (C) U.S. Maritime Administration;
- (D) Small Business Administration;
- (E) U.S. Department of Housing & Urban Development (PHAs);
- (F) Federal Housing Administration; and
- (G) Federal Financing Bank;

(iv) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- (A) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
- (B) Obligations of the Resolution Funding Corporation (REFCORP);
- (C) Senior debt obligations of the Federal Home Loan Bank System; and
- (D) Senior debt obligations of other Government Sponsored Agencies;

(v) U.S. Dollar-denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (provided that ratings on holding companies shall not be considered the rating of the bank);

(vi) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;

(vii) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including funds for which the Trustee or an affiliate provides investment management or other services;

(viii) “Pre-refunded Municipal Obligations,” defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or (B) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (ii) of this definition, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(ix) Any bonds or other obligations of any agency, instrumentality or local governmental unit of any state of the United States of America which are rated “Aaa/AAA” or general obligations of any such state with ratings of “A2” or higher by Moody’s and “A” or higher by S&P.

(x) The Local Agency Investment Fund (established under Sections 53600-53609 of the California Government Code, as amended or supplemented from time to time); provided, that such investment is held in the name and to the credit of the Trustee; and provided further, that the Trustee may restrict such investment if required to keep money available for the purposes of the Trust Agreement.

“Law” shall mean the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, and all laws amendatory thereof or supplemental thereto.

“Letter of Representation” shall mean the letter of the Authority delivered to and accepted by the Depository on or prior to the issuance of the Authority Bonds setting forth the basis on which the Depository serves as depository for such Authority Bonds as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

“Lien” shall mean the aggregate principal amount of all bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District.

“Local Obligation Indenture” shall mean, for any Local Obligations, the indenture or resolution authorizing and securing such Local Obligations.

“Local Obligation Purchase Contract” shall mean, as applicable, each purchase contract entered into from time to time between the Authority and the City providing for the purchase of the Local Obligations by the Authority with the proceeds of the Authority Bonds.

“Local Obligations” shall mean collectively the CFD No. 17 Local Obligations and any Additional Local Obligations purchased or exchanged from time to time pursuant to the provisions of the Trust Agreement.

“Maximum Special Tax” shall mean the maximum amount of special tax that may be collected as provided in the Rate and Method for each applicable District.

“Moody’s” shall mean Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority (which shall be under no liability by reason of such selection).

“Officer’s Certificate” shall mean a certificate signed by an Authorized Officer.

“Opinion of Bond Counsel” shall mean a legal opinion signed by a Bond Counsel selected by the Authority.

“Outstanding” shall mean, with respect to the Authority Bonds and as of any date, the aggregate of Authority Bonds authorized, issued, authenticated and delivered under the Trust Agreement, except:

- (a) Authority Bonds canceled or surrendered to the Trustee for cancellation pursuant to the Trust Agreement;
- (b) Authority Bonds deemed to have been paid as provided in the Trust Agreement; and
- (c) Authority Bonds in lieu of or in substitution for which other Authority Bonds shall have been authenticated and delivered pursuant to the Trust Agreement.

“Owner” shall mean, as of any date, the Person or Persons in whose name or names a particular Bond shall be registered on the Bond Register as of such date.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Principal Installment,” when used with respect to any Principal Payment Date, shall mean the principal amount of Outstanding Authority Bonds due on such date.

“Principal Payment Date,” when used with reference to an Authority Bond, shall mean the maturity date or the Minimum Sinking Fund Payment date for such Authority Bond.

“Priority Administrative Expenses” shall mean all administrative expenses to be paid from the Special Tax prior to payment of debt service on the Local Obligations as set forth in the Local Obligation Indentures.

“Rebate Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Rebate Instructions” shall mean the calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate.

“Rebate Requirement” shall mean the Rebate Requirement defined in the Tax Certificate.

“Record Date” shall mean the fifteenth day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Revenue Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Revenues” shall mean all amounts received by the Trustee as the payment of interest on, or the equivalent thereof, and the payment or return of principal of, or redemption premiums, if any, on, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments, or redemption premiums, Special Tax Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any money held in the Funds held under the Trust Agreement (except the Rebate Fund).

“Series 2015A Bonds” means the Folsom Ranch Financing Authority Special Tax Revenue Bonds, Series 2015A, issued under the Trust Agreement.

“Sinking Fund Account” shall mean the account within the Principal Fund by that name established pursuant to the Trust Agreement.

“Special Tax” shall mean the special tax authorized to be levied and collected annually on all Taxable Property in each respective District under and pursuant to the Act at the special election held in each respective District.

“Special Tax Consultant” means any consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relative to special tax bond financing for California community facilities districts formed under and pursuant to the Act, appointed and paid by the City, and who, or each of whom --

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

“Special Tax Prepayments” shall mean all payments to the City by or on behalf of the owner of a parcel subject to a Special Tax to accomplish a pay-off of the Special Tax obligation pertaining to such parcel and the discharge of the Special Tax lien with respect to such parcel (except the portion thereof, if any, which represents accrued interest on the Local Obligations).

“Special Tax Revenues” shall mean all money collected and received by the City on account of unpaid Special Tax obligations, including all amounts collected in the normal course by the City, all Special Tax Prepayments and all amounts received by the City as a result of superior court foreclosure proceedings brought to enforce payment of delinquent Special Taxes, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys’ fees and costs paid as a result of foreclosure actions.

“Special Record Date” shall mean the date established by the Trustee pursuant to the Trust Agreement as a record date for the payment of defaulted interest on the Authority Bonds.

“State” shall mean the State of California.

“Supplemental Trust Agreement” shall mean any trust agreement supplemental to or amendatory of the Trust Agreement which is duly executed and delivered in accordance with the provisions of the Trust Agreement.

“Tax Certificate” shall mean each certificate for the Authority Bonds relating to various federal tax requirements, including the requirements of Section 148 of the Code, signed by the Authority and the City on the Dated Date, as the same may be amended or supplemented in accordance with its terms.

“Taxable Property” shall mean all property within the Districts taxable under the Act in accordance with the proceedings for the authorization of the issuance of the Local Obligations and the levy and collection of the Special Tax.

“Trust Agreement” shall mean the Trust Agreement among the Authority, the City and the Trustee, pursuant to which the Authority Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Trust Estate” shall mean (a) the proceeds of sale of the Authority Bonds, (b) the Revenues, (c) the amounts in the Funds established by the Trust Agreement, except amounts in the Rebate Fund and (d) the Local Obligations.

“Trustee” shall mean MUFG Union Bank, N.A., a national banking association duly organized and existing under the laws of the United States of America, in its capacity as Trustee under the Trust Agreement, and any successor as Trustee under the Trust Agreement.

“Value” shall mean the aggregate assessed and/or appraised value of the property, together with the assigned building permit value, if applicable.

“Written Order” shall mean, when used with reference to the Authority, a written direction of the Authority to the Trustee signed by an Authorized Officer, and when used with reference to the City, a written direction of the City to the Trustee signed by an Authorized Officer.

Issuance of Additional Authority Bonds; Purchase and Exchange of Local Obligations

Conditions for the Issuance of Additional Authority Bonds

In addition to the Series 2015A Bonds, the Authority may at any time, by a Supplemental Trust Agreement, authorize the issuance of Additional Authority Bonds, payable from Revenues and secured by a pledge and charge and lien upon the Revenues equally and ratably with all Outstanding Authority Bonds previously issued (the “Additional Authority Bonds”), but only upon compliance by the Authority with the provisions of the Trust Agreement and any additional requirements set forth in the Supplemental Trust Agreement, and subject to the following specific conditions, which are conditions precedent to the issuance of any Additional Authority Bonds:

(a) No Event of Default shall have occurred and then be continuing under the Trust Agreement;

(b) The issuance of such Additional Authority Bonds shall have been authorized under and pursuant to the Trust Agreement and the Law and shall have been provided for by a Supplemental Trust Indenture that shall specify the following:

(i) the purposes for which the Additional Authority Bonds are being issued, which shall be (i) to refund all or part of the Authority Bonds relating to the Outstanding Local Obligations or (ii) to purchase Additional Local Obligations;

(ii) the principal amount and designation of such series of Additional Authority Bonds, and the interest rate to be borne by each maturity of such Additional Authority Bonds;

(iii) that such Additional Authority Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve months;

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Authority Bonds; provided, however, that each such maturity date and date on which a mandatory sinking fund redemption is to be made shall be a September 1 and, provided, further, that serial maturities of serial Authority Bonds or mandatory sinking fund redemptions for term Authority Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Authority Bonds on or before their respective maturity dates;

(v) the redemption premiums and terms, if any, for such Additional Authority Bonds;

(vi) the form of such Additional Authority Bonds; and

(vii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Trust Agreement;

(c) If the Additional Authority Bonds are being issued to purchase Additional Local Obligations, the Authority shall have delivered to the Trustee an Officer's Certificate and/or a certificate or certificates from one or more Special Tax Consultants that, when taken together, certify:

(i) the Maximum Special Tax for the District for which such Additional Local Obligations were issued less Priority Administrative Expenses for such District is estimated to cover one hundred ten percent (110%) of the sum of the Annual Debt Service on such Additional Local Obligations per year; and

(ii) either

(A) the Value of all Taxable Property in the District for which the Additional Local Obligations were issued, in aggregate, is at least six (6) times the aggregate Lien on such Taxable Property; or

(B) (i) the Value of all Taxable Property in the District for which the Additional Local Obligations were issued, in aggregate, is at least three (3) times the aggregate Lien on such Taxable Property and (ii) all such Taxable Property has obtained all Discretionary Approvals.

Notwithstanding the foregoing, if (i) such Additional Authority Bonds are being issued to refund previously issued Authority Bonds, and (ii) Annual Debt Service in each Bond Year, calculated for all Authority Bonds that will be Outstanding after the issuance of such Additional Authority Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Authority Bonds which are Outstanding immediately prior to the issuance of such Additional Authority Bonds, the receipt of the certificate described in paragraph (c), above, shall not be a condition precedent to the issuance of such Additional Bonds.

Purchase and Exchange of Local Obligations

The Authority may exchange Additional Local Obligations for Local Obligations and may purchase Additional Local Obligations from time to time and in connection with the issuance of Additional Authority Bonds, provided that in connection with each such purchase or exchange:

(a) the Local Obligation Indenture for such Additional Local Obligations provides the following:

(i) the City covenants to comply with the foreclosure covenant contained in the Trust Agreement or a more restrictive foreclosure covenant with respect to any such Additional Local Obligations;

(ii) with respect to any exchange of Local Obligations, the principal, maturities, redemption terms and interest rates on the Additional Local Obligations are identical to the Local Obligations to be exchanged;

(iii) a reserve fund at least equal to the lesser of (a) ten per cent (10%) of the original principal amount of the Additional Local Obligations to be purchased and any parity local obligations issued thereunder, (b) the maximum annual debt service on such Additional Local Obligations and any parity local obligations issued thereunder payable in the current or in any future Bond Year during which any such Additional Local Obligations are scheduled to be outstanding, (c) one hundred twenty-five per cent (125%) of the average annual debt service on such Additional Local Obligations and any parity local obligations issued thereunder payable in the current Bond Year and in all future Bond Years during which any such Additional Local Obligations are scheduled to be Outstanding, (d) such lesser amount required by the Code, or (e) if no Additional Local Obligations will be purchased at such time, the amount of the reserve fund allocable to the Local Obligations being exchanged eligible to be released upon such exchange; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "AA" or higher assigned by Fitch or "Aa" or higher assigned by Moody's or "AA" or higher assigned by Standard & Poor's;

(b) the Authority delivers a certificate or certificates to the Trustee specifying the following:

(i) the provisions of the Trust Agreement relating to the issuance of Additional Authority Bonds have been satisfied;

(ii) after such purchase or exchange, the principal amount of all Local Obligations outstanding will be not less than the principal amount of all Authority Bonds Outstanding; and

(c) the Authority delivers a Cash Flow Certificate to the effect that, assuming all payments are made with respect to the Local Obligations and Additional Local Obligations, (i) the Revenues, together with moneys on deposit in other funds and accounts held under the Trust Agreement, will be sufficient to pay all Principal Installments, Minimum Sinking Fund Payments and interest payments on the Authority Bonds when due; and (ii) the redemption premiums, if any, on the Local Obligations remaining outstanding, together with other Revenues available to the Trustee for such purpose, are sufficient to offset any difference between the interest to accrue on the Authority Bonds to be paid or redeemed with the proceeds of prepayment of such Local Obligations (plus any redemption premium payable upon redemption of such Authority Bonds) and the income to be earned on any investment of such proceeds (assured as of the date of payment thereof), in each case until the date of payment or redemption of Authority Bonds, such that in no event will the prepayment of Local Obligations or Additional Local Obligations cause the Trustee to have insufficient funds to pay debt service on the Authority Bonds when due.

Revenues and Funds for Bonds

Establishment of Funds

There is established with the Trustee, and the Trustee agrees to maintain, following special trust funds for the Authority Bonds, which the Trustee shall keep separate and apart from all other funds and moneys held by it: the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Proceeds Fund, the Local Obligation Fund and the Rebate Fund.

Revenues Derived From Property Owner Prepayments

The City and the Authority acknowledge that amounts received by the City on account of Special Tax Prepayments are to be utilized for the sole purpose of the prior redemption of Local Obligations, and not to pay current, scheduled debt service payments on the Local Obligations. Correspondingly, in order to maintain a proper ratio between debt service payments on the Local Obligations and debt service payments on the Authority Bonds, all Revenues received by the Trustee which constitute Special Tax Prepayments when received by the City shall be deposited in the Redemption Fund and used to redeem the series of Authority Bonds issued to purchase such Local Obligations (or Local Obligations exchanged therefor), in accordance with a Written Order of the Authority.

Revenue Fund

All Revenues received by the Trustee, other than Revenues derived from Special Tax Prepayments, shall be deposited by the Trustee in the Revenue Fund. On each Interest Payment Date and Principal Payment Date, the Trustee shall transfer Revenues (to the extent that Revenues are available therein) from the Revenue Fund for deposit into the respective Funds specified therein in the order of priority set forth in the Trust Agreement, the requirements of each Fund to be fully satisfied, leaving no deficiencies therein, prior to any deposit into any Fund later in priority. On each Interest Payment Date and Principal Payment Date, after making the deposits required to the Interest Fund and the Principal Fund, the Trustee shall transfer all remaining money in the Revenue Fund on a pro rata basis to each trustee or fiscal agent for deposit pursuant to each Local Obligation Indenture.

Interest Fund

The Trustee shall deposit in the Interest Fund on each Interest Payment Date from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Interest Fund, is equal to the interest due on the Authority Bonds due on such date. On each Interest Payment Date, the

Trustee shall pay the interest due and payable on the Authority Bonds on such date from the Interest Fund.

Principal Fund

After satisfying the requirements of the foregoing provisions respecting deposits in the Interest Fund, the Trustee shall deposit in the Principal Fund (i) on each March 1 Interest Payment Date from the Revenue Fund an amount of Revenues which is equal to one-half (1/2) of the principal amount of Authority Bonds maturing on the next succeeding September 1, (ii) on each Principal Payment Date from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Authority Bonds which have matured but which have not been presented for payment) is sufficient to pay the Principal Installments on the Authority Bonds due on such Principal Payment Date and (iii) on each September 1 on which a Minimum Sinking Fund Payment is required to be made (for deposit in the Sinking Fund Account) from the Revenue Fund an amount of Revenues which is equal to the Minimum Sinking Fund Payment due and payable on such date. On each Principal Payment Date, the Trustee shall pay the principal or redemption price due and payable on the Authority Bonds on such date from the Principal Fund.

Redemption Fund

All money held in or transferred to the Redemption Fund pursuant to the Trust Agreement shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Authority Bonds pursuant to the Trust Agreement. The Trustee shall use amounts in the Redemption Fund for the payment of the redemption price of Authority Bonds called for redemption pursuant to the Trust Agreement, together with accrued interest to the redemption date.

Rebate Fund

The Trustee agrees to establish and maintain when needed a fund separate from any other fund established and maintained under the Trust Agreement designated the Rebate Fund. The Trustee shall deposit in the Rebate Fund, from funds made available by the Authority, the Rebate Requirement, all in accordance with the Rebate Instructions received from the Authority. The Trustee will apply money held in the Rebate Fund as provided in the Trust Agreement and according to instructions provided by the Authority. Subject to the provisions of the Trust Agreement relating to maintenance of the tax-exempt status on the Authority Bonds, all money held in the Rebate Fund is pledged to secure payments to the United States of America, and the Authority and the City and the Owners will have no rights in or claim to such money. The Trustee will invest all money held in the Rebate Fund in Investment Securities as directed in writing by the Authority, and all investment earnings with respect thereto shall be deposited in the Rebate Fund.

Upon receipt of the Rebate Instructions required by the Tax Certificate to be delivered to the Trustee, the Trustee will remit part or all of the balance held in the Rebate Fund to the United States of America as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such Funds as the Rebate Instructions shall direct. The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority including supplying all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Trustee, and shall have no liability or responsibility to monitor or enforce compliance by the Authority with the terms of the Tax Certificate.

The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to the Trust Agreement, other than from money held in the Rebate Fund or from other money provided to it by the Authority. The Trustee shall not be responsible for computing the Rebate Requirement, and computations of the Rebate Requirement shall be furnished to the Trustee or on behalf of the Authority in accordance with the Tax Certificate.

Security for and Investment of Moneys

Security

All money required to be deposited with or paid to the Trustee in any of the Funds (other than the Rebate Fund) referred to in any provision of the Trust Agreement shall be held by the Trustee in trust, and except for moneys held for the payment or redemption of Authority Bonds or the payment of interest on Authority Bonds pursuant to the Trust Agreement, shall, while held by the Trustee, constitute part of the Trust Estate and shall be subject to the lien and pledge created by the Trust Agreement.

Investment of Funds

So long as the Authority Bonds are Outstanding and there is no default under the Trust Agreement, all money on deposit to the credit of the Revenue Fund, the Interest Fund, the Principal Fund and the Redemption Fund and all accounts within such Funds shall, at the request of an Authorized Officer specifying and directing that such investment of such money be made, be invested by the Trustee in Investment Securities having maturities or otherwise providing for availability of money when needed for purposes of the Trust Agreement, and all money held in the Rebate Fund shall, at the request of an Authorized Officer specifying and directing that such investment of such money be made, be invested by the Trustee in Government Obligations having maturities or otherwise providing for availability of money when needed for purposes of the Trust Agreement, and the Trustee shall be entitled to rely on such instructions for purposes of the Trust Agreement. The Trustee shall notify the Authority in writing prior to the date money held under the Trust Agreement will be available for investment, requesting that the Authority deliver to the Trustee written instructions specifying the Investment Securities to be acquired by the Trustee with such money. The Authority, in issuing such written instructions, shall comply with the provisions of the Tax Certificate. In the absence of written instructions from the Authority regarding investment, such money shall be held uninvested. The Trustee (or any affiliate thereof) may act as principal or agent in the acquisition or disposition of any investments.

Money on deposit in the Proceeds Fund, if any, shall be invested in Investment Securities pursuant to a Written Order and such money may not be reinvested in any other Investment Securities unless the Trustee receives, at the time of such reinvestment, a further Written Order to the effect that, after such reinvestment, the Revenues will be sufficient to pay principal and interest on the Authority Bonds when due.

Notwithstanding anything to the contrary in the Trust Agreement, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund from which such accrued interest was paid. The Trustee shall not be responsible for any losses or consequences of any investment if it follows such instructions. Notwithstanding anything to the contrary in the Trust Agreement, the Trustee shall have no obligation or responsibility to determine whether investment in a security is permitted by the laws of the State and the City's Investment Policy, and shall be entitled to assume that any investment it is directed to make is so permitted.

The securities purchased with the money in each Fund shall be deemed a part of such Fund. If at any time it shall become necessary or appropriate that some or all of the securities purchased with the money in any Fund be redeemed or sold in order to raise money necessary to comply with the provisions of the Trust Agreement, the Trustee shall effect such redemption or sale, employing, in the case of a sale, any commercially reasonable method of effecting the same. The Trustee shall not be liable or responsible for any consequences resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized as described in the preceding paragraphs.

Investments in the Revenue Fund, the Interest Fund, the Principal Fund and the Redemption Fund may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Trust Agreement for transfer to or holding in particular Funds amounts received or held by the Trustee; provided, that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided in the Trust Agreement.

All earnings on the investment of the money on deposit in any Fund shall remain a part of such Fund.

Covenants of the Authority and the City

Payment of Bonds; No Encumbrances

The Authority shall cause the Trustee to promptly pay, from Revenues and other funds derived from the Trust Estate pledged under the Trust Agreement, the interest on and principal of and redemption premium, if any, on every Authority Bond issued under and secured by the Trust Agreement at the place, on the dates and in the manner specified in the Trust Agreement and in such Authority Bonds according to the true intent and meaning thereof. The Authority shall not issue any bonds, notes or other evidences of indebtedness or incur any obligations payable from or secured by the Trust Estate, other than the Authority Bonds.

Enforcement and Amendment of Local Obligations

The Authority, the City and the Trustee shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owner under the Trust Agreement.

The Authority, the City and the Trustee may, without the consent of or notice to the Owners of the Authority Bonds, consent to any amendment, change or modification of any Local Obligation that may be required (a) to conform to the provisions of the Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) to add additional rights acquired in accordance with the provisions of such Local Obligation, (d) in connection with any other change therein that is not to the material prejudice of the Owners of the Authority Bonds, or (e) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Local Obligations or Authority Bonds from federal income taxes or the exemption of such interest from State personal income taxes.

Except for the amendments, changes or modifications provided for in the preceding paragraph, neither the Authority, the City nor the Trustee shall consent to any amendment, change or modification of any Local Obligation without the written approval or consent of the Owners of not less than a majority in aggregate principal amount of Authority Bonds at the time Outstanding given and procured as provided in the Trust Agreement. If at any time the Authority and the City, as the case may be, shall request the consent of the Trustee to any such proposed amendment, change or modification of a Local Obligation,

the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by the Trust Agreement for delivery of notices. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Owners. Nothing described in this section shall be construed to prevent the Trustee, with the consent of the Authority and the City, from settling a default under any Local Obligation on such terms as the Trustee may determine to be in the best interests of the Owner.

Tax Covenants

The Authority and the City will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Authority Bonds under Section 103 of the Code. The Authority and the City will not directly or indirectly use or permit the use of any proceeds of the Authority Bonds or any other funds of the Authority or take or omit to take any action that would cause the Authority Bonds to be “private activity bonds” within the meaning of Section 141(a) of the Code or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code. The Authority will not allow ten per cent (10%) or more of the proceeds of the Authority Bonds to be used in the trade or business of any nongovernmental units and will not lend five per cent (5%) or more of the proceeds of the Authority Bonds to any nongovernmental units.

The Authority and the City will not directly or indirectly use or permit the use of any proceeds of the Authority Bonds or any other funds of the Authority or take or omit to take any action that would cause the Authority Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the Authority and the City will comply with all requirements of Section 148 of the Code to the extent applicable to the Authority Bonds. In the event that at any time the Authority is of the opinion that for purposes of the tax covenant of the Authority it is necessary to restrict or to limit the yield on the investment of any money held by the Trustee under the Trust Agreement, the Authority will so instruct the Trustee in writing, and the Trustee will take such actions as directed by such instructions.

The Authority will pay or cause to be paid the Rebate Requirement as provided in the Tax Certificate. This covenant shall survive payment in full or defeasance of the Authority Bonds. The Authority will cause the Rebate Requirement to be deposited in the Rebate Fund as provided in the Tax Certificate.

The Trustee will conclusively be deemed to have complied with the provisions of the tax covenant of the Trust Agreement and the provisions of the Tax Certificate if it follows the directions of the Authority set forth in the Tax Certificate and the Rebate Instructions and shall not be required to take any actions under the Trust Agreement in the absence of Rebate Instructions from the Authority.

(e) Notwithstanding any provision of the tax covenant of the Trust Agreement, if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under the tax covenant of the Trust Agreement is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Authority Bonds, the Trustee and the Authority and the City may conclusively rely on such opinion in complying with the requirements of the tax covenant of the Trust Agreement, and the covenants under the Trust Agreement shall be deemed to be modified to that extent.

The provisions of the tax covenants in the Trust Agreement shall survive the defeasance of the Authority Bonds.

Redemption Funds for the Local Obligations

The City expressly acknowledges that, pursuant to each Local Obligation Indenture, the City is to establish and maintain a separate redemption fund for such Local Obligations (each, a “Local Obligation Redemption Fund”) and, so long as any of such Local Obligations remains outstanding, to deposit into such Local Obligation Redemption Fund, upon receipt, any and all Special Tax Revenues received by the City in connection with such Local Obligations. The City further acknowledges that no temporary loan or other use whatsoever may be made of Special Tax Revenues, and that each Local Obligation Redemption Fund constitutes a trust fund for the benefit of the owners of the applicable Local Obligations.

The City covenants in the Trust Agreement for the benefit of the Authority, as owner of the Local Obligations, the Trustee, as assignee of the Authority with respect to the Revenues, and the Owners from time to time of the Authority Bonds, that it will establish, maintain and administer the Local Obligation Redemption Funds and the Special Tax Revenues in accordance with their status as trust funds as prescribed by the Act, the Local Obligation Indentures and the Trust Agreement.

The City further covenants that, no later than one (1) Business Day prior to each Interest Payment Date and Principal Payment Date of the Authority Bonds, the City will advance to the Trustee against payment on the Local Obligations, as assignee of the Authority with respect to the Local Obligations, the interest due on the Local Obligations on such Interest Payment Date and the principal of all Local Obligations maturing on such Principal Payment Date, respectively, and upon receipt by the Trustee, such amounts shall constitute Revenues. For so long as Authority Bonds remain Outstanding, the Trustee shall provide written notice to the Authority no later than fifteen (15) days prior to each Interest Payment Date specifying the amount required to be paid to the Trustee in the month subsequent thereto.

Redemption Funds for Local Obligations

The City shall annually on or before September 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if the City determines on the basis of such review that the amount so collected is deficient by more than five per cent (5%) of the total amount of the Special Tax levied in such Fiscal Year within any District, it will within sixty (60) days thereafter institute foreclosure proceedings as authorized by the Law in order to enforce the lien of the delinquent installments of the Special Tax against each lot or parcel of land in such District, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that irrespective of the foregoing if the City determines on the basis of such review that property owned by any single property owner in any District is delinquent by more than five thousand dollars (\$5,000) with respect to the Special Tax due and payable by such property owner by such delinquency date, then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided in the Trust Agreement against such property owner; and provided further, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California.

Limitation on Additional Liens

The City covenants and agrees in the Trust Agreement that it shall not issue bonds or other obligations secured by special taxes or fixed special assessments (including by and through a joint facilities agreement with other local agencies) and will not impose any additional special taxes or fixed special assessments on property in the Districts except in connection with the issuance of Additional Authority Bonds the exchange of Local Obligations pursuant to the Trust Agreement.

Default and Remedies

Events of Default

The following shall constitute “Events of Default” under the Trust Agreement:

- (a) if payment of interest on the Authority Bonds shall not be made when due; or
- (b) if payment of any Principal Installment or Minimum Sinking Fund Payment shall not be made when due and payable, whether at maturity, by proceedings for redemption, or otherwise; or
- (c) if the Authority or the City shall fail to observe or perform in any material way any other agreement, condition, covenant or term contained in the Trust Agreement on its part to be observed or performed, and such failure shall continue for thirty (30) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority or the City, as the case may be, by the Trustee or by the Owners of not less than fifty per cent (50%) in aggregate principal amount of the Authority Bonds, provided, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the City within the applicable period and diligently pursued until the default is corrected; or
- (d) if there is an event of default under any Local Obligations Indenture.

Proceedings by Trustee; No Acceleration

Upon the happening and continuance of any Event of Default the Trustee in its discretion may, or at the written request of the Owners of not less than fifty per cent (50%) in aggregate principal amount of Authority Bonds Outstanding, shall (but only if indemnified to its satisfaction from any liability, expense or cost), do the following:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to receive and collect the Revenues;
- (b) bring suit upon or otherwise enforce any defaulting Local Obligation;
- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;
- (d) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the earnings, income, issues, products, profits and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and
- (e) take such action with respect to any and all Local Obligations or Investment Securities as the Trustee shall deem necessary and appropriate, subject to the provisions of the Trust Agreement and to the terms of such Local Obligations or Investment Securities.

The Trustee shall have no right to declare the principal of all of the Authority Bonds then Outstanding, or the interest accrued thereon, to be due and payable immediately.

Effect of Discontinuance or Abandonment

In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then

and in every such case the Trustee and the Owners shall be restored to their former positions and rights under the Trust Agreement, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Rights of Owners

Anything in the Trust Agreement to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in the Trust Agreement, upon the happening and continuance of any Event of Default, the Owners of not less than fifty percent (50%) in aggregate principal amount of the Authority Bonds then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement.

The Trustee may refuse to follow any direction that conflicts with law or the Trust Agreement or that the Trustee determines would subject the Trustee to personal liability without adequate indemnification therefor.

Restriction on Owner's Action

In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Trust Agreement, no Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Trust Agreement, or any other remedy under the Trust Agreement or in the Authority Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove described and unless the Owners of not less than fifty per cent (50%) in aggregate principal amount of the Authority Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Trust Agreement, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are in every such case conditions precedent to the execution of the trusts of the Trust Agreement or for any other remedy under the Trust Agreement, it being understood and intended that no one or more Owners of Authority Bonds secured by the Trust Agreement shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any rights under the Trust Agreement or under the Authority Bonds, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Trust Agreement, and for the equal benefit of all Owners of Outstanding Authority Bonds; subject, however, to the provisions of the Trust Agreement described in this paragraph. Notwithstanding the foregoing provisions of the Trust Agreement, the obligation of the Authority shall be absolute and unconditional to pay, but solely from the Trust Estate, the interest on and principal of and redemption premiums, if any, on the Authority Bonds to the respective Owners thereof at the respective due dates thereof, and nothing in the Trust Agreement shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

Power of Trustee to Enforce

All rights of action under the Trust Agreement or under any of the Authority Bonds secured by the Trust Agreement which are enforceable by the Trustee may be enforced by it without the possession of any of the Authority Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners subject to the provisions of the Trust Agreement.

Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or by statute.

Waiver of Events of Default; Effect of Waiver

Upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Authority Bonds, the Trustee shall waive any Event of Default under the Trust Agreement and its consequences. If any Event of Default shall have been waived as in the Trust Agreement provided, the Trustee shall promptly give written notice of such waiver to the Authority and the City and shall give notice thereof by first class mail, postage prepaid, to all Owners of Outstanding Authority Bonds if such Owners had not previously been given notice of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein; and every power and remedy given by the Trust Agreement to the Trustee and to the Owners may be exercised from time to time and as often as may be deemed expedient.

Application of Money upon Event of Default

Any money received by the Trustee pursuant to the Trust Agreement shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel incurred in representing the Owners, be applied as follows:

- (a) unless the principal of all of the Outstanding Authority Bonds shall be due and payable,

FIRST - To the payment of the Owners entitled thereto of all installments of interest then due on the Authority Bonds, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment of the Owners entitled thereto of the unpaid principal of and redemption premiums, if any, on any of the Authority Bonds which shall have become due (other than Authority Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Trust Agreement) in the order of their due dates, and if the amount available shall not be sufficient to pay in full the principal of and redemption premiums, if any, on such Authority Bonds

due on any particular date, then to the payment ratably, according to the amount due on such date, to the Owners entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the Owners entitled thereto as the same shall become due of the interest on and principal of and redemption premiums, if any, on the Authority Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available shall not be sufficient to pay in full such interest and principal and redemption premiums, if any, due on any particular date, payment shall be made in accordance with the FIRST and SECOND paragraphs above.

(b) if the principal of all of the Outstanding Authority Bonds shall be due and payable, to the payment of the interest on and principal of and redemption premiums, if any, due on all Outstanding Authority Bonds without preference or priority of or of any interest on any Outstanding Authority Bond over any other Outstanding Authority Bond, any principal of or the redemption premium, if any, on any Outstanding Authority Bond or of any other Outstanding Authority Bond, ratably, according to the amounts due respectively for interest and principal and redemption premiums, if any, to the Owners entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Authority Bonds.

(c) Whenever money is to be applied upon an Event of Default, such money shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such money.

The Trustee

Duties, Immunities and Liability of Trustee

The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied duties or obligations shall be read in the Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of (which has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement and use the same degree of care and skill in their exercise as a prudent person would exercise use under the circumstances in the conduct of his own affairs.

In the absence of an Event of Default, the Authority may remove the Trustee. The Authority shall remove the Trustee if (A) it receives an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Authority Bonds then Outstanding (or their attorneys duly authorized in writing) or (B) at any time the Trustee shall cease to be eligible, or (C) the Trustee shall become incapable of acting, or (D) the Trustee shall commence a case under any bankruptcy, insolvency or similar law, or (E) a receiver of the Trustee or of its property shall be appointed, or (F) any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation. To effect any such removal, the Authority shall give written notice thereof to the Trustee, and thereupon the Authority (with the concurrence of the City) shall promptly appoint a successor Trustee by an instrument in writing.

The Trustee may, subject to the next following paragraph, resign by giving written notice of such resignation by mail, first class postage prepaid, to the Authority, the City and the Owners at the respective addresses listed in the Bond Register. Upon receiving such notice of resignation, the Authority (with the concurrence of the City) shall promptly appoint, by an instrument in writing, a successor Trustee.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of the successor Trustee by the Authority and the City and acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the Authority and the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the money, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if it were originally named Trustee in the Trust Agreement; but, nevertheless, at the written request of the Authority or the City or the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Trust Agreement. Upon request of the successor Trustee, the Authority and the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such money, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee, such successor Trustee shall mail a notice of the succession of such successor Trustee to the trusts under the Trust Agreement by first class mail, postage prepaid, to the Owners at their respective addresses listed in the Bond Register.

Any successor Trustee appointed under the Trust Agreement shall be a trust company or bank having the powers of a trust company, having a corporate trust office in California, and with a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and being subject to supervision or examination by federal or state authority; and 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 for the purpose of the Trust Agreement 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. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Trust Agreement, the Trustee shall resign immediately in the manner and with the effect specified in the Trust Agreement.

Liability of Trustee

The recitals of facts contained in the Trust Agreement and in the Authority Bonds shall be taken as statements of the Authority or the City, and the Trustee does not assume any responsibility for the correctness of the same, and does not make any representations as to the validity or sufficiency of the Trust Agreement or of the Authority Bonds, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Authority Bonds assigned to or imposed upon it; provided, that the Trustee shall be responsible for its representations contained in its certificate of authentication on the Authority Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or willful misconduct. The Trustee (in its individual or any other capacity) may become the Owner of Authority Bonds with the same rights it would have if it were not Trustee under the Trust Agreement, and, to the extent permitted by law, may act as depositary for and permit any of its officers, directors and employees to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in

principal amount of the Authority Bonds then Outstanding. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Authority Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement. Whether or not therein expressly so provided, every provision of the Trust Agreement or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of the Trust Agreement.

Modification of Trust Agreement and Supplemental Trust Agreements

Supplemental Trust Agreements Without Consent of Owners

The Authority and the City may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which thereafter shall form a part of the Trust Agreement, for any one or more of the following purposes:

(a) to add to the agreements and covenants of the Authority or the City contained in the Trust Agreement other agreements and covenants thereafter to be observed, or to surrender any right or power in the Trust Agreement reserved to or conferred upon the Authority or the City; provided, that no such agreement, covenant or surrender shall materially adversely affect the rights of any Owner;

(b) to cure any ambiguity, to supply any omission or to cure, correct or supplement any defect or inconsistent provisions contained in the Trust Agreement or in any Supplemental Trust Agreement;

(c) to make any change which does not materially adversely affect the rights of any Owner;

(d) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;

(e) to subject additional collateral or to add other agreements of the Authority or the City to the Trust Agreement;

(f) to modify the Trust Agreement or the Authority Bonds to permit qualification of the Trust Agreement under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect, or to permit the qualification of the Authority Bonds for sale under the securities laws of any state of the United States of America;

(g) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion from gross income for federal income tax purposes under the Code of the interest on the Authority Bonds or the exemption of interest on the Authority Bonds from State personal income taxes;

(h) to provide for the issuance of Additional Authority Bonds; or

(i) to evidence the succession of a successor Trustee.

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment of the Trust Agreement any particular Authority Bond would be affected by any amendment of the Trust Agreement, and any such determination shall be binding and conclusive on the Authority, the City and the Owners of Authority Bonds. For all purposes of the Trust Agreement, the

Trustee shall be entitled to rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel, in form and substance satisfactory to it, with respect to the extent, if any, to which any action affects the rights under the Trust Agreement of any Owner.

Trustee Authorized to Enter into Supplemental Trust Agreements

The Trustee authorized to enter into any Supplemental Trust Agreement with the Authority and the City authorized or permitted by the terms of the Trust Agreement, and to make the further agreements and stipulations which may be therein contained, and for all purposes of the Trust Agreement the Trustee shall be entitled to rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel, in form and substance satisfactory to it, to the effect that such Supplemental Trust Agreement is authorized or permitted by the provisions therein.

Supplemental Trust Agreements With Consent of Owners

Any modification or alteration of the Trust Agreement or of the rights and obligations of the Authority, the City or the Owners may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Authority Bonds then Outstanding; provided, that no such modification or alteration shall be made which will reduce the percentage of aggregate principal amount of Authority Bonds the consent of the Owners of which is required for any such modification or alteration or permit the creation by the Authority or the City of any lien prior to or on a parity with the lien of the Trust Agreement upon the Trust Estate or which will affect the times, amounts and currency of payment of the interest on or principal of or redemption premiums, if any, on the Authority Bonds or affect the rights, duties or obligations of the Trustee without the consent of the party affected thereby.

Defeasance

Defeasance

If and when the Authority Bonds secured by the Trust Agreement shall become due and payable in accordance with their terms or through redemption proceedings as provided in the Trust Agreement, or otherwise, and the whole amount of the interest on and principal of redemption premiums, if any, so due and payable upon all of the Authority Bonds shall have been paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Trust Agreement by the Authority, including all fees and expenses of the Trustee, then and in that case, the Trust Agreement and the lien created by the Trust Agreement shall be completely discharged and satisfied and the Authority and the City shall be released from the respective agreements, conditions, covenants and terms of the Authority and the City contained in the Trust Agreement, and the Trustee shall assign and transfer all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances as provided in the Trust Agreement and shall execute such documents as may be reasonably required by the Authority or the City in this regard.

Notwithstanding the satisfaction and discharge of the Trust Agreement, those provisions of the Trust Agreement relating to the maturity of the Authority Bonds, interest payments and dates thereof, exchange and transfer of Authority Bonds, replacement of mutilated, destroyed, lost or stolen Authority Bonds, the safekeeping and cancellation of Authority Bonds, nonpresentment of Authority Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owner, and the Trustee shall, subject to the provisions of the Trust Agreement relating to unclaimed money, continue to be obligated to hold in trust any money or investments then held by the Trustee for the payment of the interest on and principal of and redemption premiums, if any, on the Authority Bonds, to pay to the Owner of Authority Bonds the funds so held by the Trustee as and when

such payments become due, and those provisions of the Trust Agreement relating to the compensation and indemnification of the Trustee and in the tax covenants of the Authority and the City shall remain in effect and shall be binding upon the Trustee, the Authority and the City.

Bonds Deemed to Have Been Paid

If any money shall have been set aside and held by the Trustee for the payment or redemption of any Authority Bonds and the interest installments therefor at the maturity or redemption date thereof, such Authority Bonds shall be deemed to be paid within the meaning and with the effect provided in the paragraphs above. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the paragraphs above if (a) in case any Authority Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail notice of redemption of such Authority Bonds on such redemption date, such notice to be given in accordance with the provisions of the Trust Agreement for redemption of Authority Bonds, (b) there shall have been deposited with the Trustee in escrow either money in an amount which shall be sufficient, or noncallable Government Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide money which, together with the money, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent accountant) to pay when due the interest on and principal of and redemption premiums, if any, due and to become due on such Authority Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event any of such Authority Bonds are not to be redeemed within the next succeeding sixty days, the Authority shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to the provisions of the Trust Agreement relating to redemption of Authority Bonds, a notice to the Owners of such Authority Bonds that the deposit required by paragraph (b) above has been made with the Trustee and that such Authority Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity dates or redemption dates upon which money is to be available for the payment of the interest on and principal of and redemption premiums, if any, on such Authority Bonds. Neither the securities nor money deposited with the Trustee pursuant to the Trust Agreement nor interest or principal payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of and redemption premiums, if any, on such Authority Bonds; provided, that any cash received from such interest or principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and at the direction of the Authority, be reinvested in Government Obligations maturing at times and in amounts, together with the other money and payments with respect to Government Obligations then held by the Trustee pursuant to the Trust Agreement, sufficient to pay when due the interest on and principal of and redemption premiums, if any, to become due on such Authority Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Order so directing, be paid over to the Authority as received by the Trustee free and clear of any trust, lien or pledge.

Miscellaneous

Dissolution of Authority

In the event of the dissolution of the Authority, all the agreements, conditions, covenants and terms contained in the Trust Agreement by or on behalf of, or for the benefit of, the Authority shall bind or inure to the benefit of the successors of the Authority from time to time and any officer, board, commission, agency or instrumentality to whom or to which any power or duty of the Authority shall be transferred.

Holidays

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Trust Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in the Trust Agreement, and no interest shall accrue for the period from and after such nominal date

Unclaimed Money

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest on or principal of or redemption premiums, if any, on any Bond which remains unclaimed for two (2) years after the date when such amounts have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date such amounts have become payable, shall be paid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such amounts; provided, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, give notice by first class mail to the Owners that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Authority.

Governing Law

The Trust Agreement shall be governed as to validity, construction and performance by the laws of the State.

SUMMARY OF THE LOCAL OBLIGATIONS INDENTURE

Definitions

“2015 Bonds” means the City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) Special Tax Bonds, Series 2015, at any time Outstanding under the Indenture that are executed, authenticated and delivered in accordance with the provisions thereof.

“Acquisition and Construction Fund” means the City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) Special Tax Bonds Acquisition and Construction Fund established pursuant to the Indenture.

“Authority” means the Folsom Ranch Financing Authority and its successors and assigns.

“Authority Bonds” means the Folsom Ranch Financing Authority Special Tax Revenue Bonds, Series 2015A.

“Authority Trustee” means MUFG Union Bank, N.A., as trustee under the Trust Agreement.

“Bond Reserve Account” means the account within the Special Tax Fund referred to by that name established pursuant to the Indenture.

“Bonds” or “Local Obligations” means 2015 Bonds and any Refunding Bonds. “Serial Bonds” means the Bonds for which no Minimum Sinking Fund Account Payments are established. “Term Bonds” means the Bonds which are redeemable or payable on or before their specified maturity dates from Minimum Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity dates.

“Bond Year” means the twelve-month period terminating on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution and initial delivery of the Bonds.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which commercial banks in New York, New York, or the city in which the Corporate Trust Office of the Trustee is located, are closed.

“Capitalized Interest Account” means the City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) Special Tax Bonds Capitalized Interest Account established pursuant to the Indenture.

“Certificate of the City” means an instrument in writing signed by the City Manager or the Finance Director, or by any other officer of the City duly authorized by the City Council for that purpose.

“City” means the City of Folsom, a charter city and municipal corporation duly organized and existing under and by virtue of its charter and the Constitution and laws of the State of California.

“City Clerk” means the City Clerk of the City.

“City Manager” means the City Manager of the City.

“Code” means the Internal Revenue Code of 1986 and the regulations issued thereunder from time to time, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

“Community Facilities District” means the City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline), a community facilities district duly organized and existing in the City under and by virtue of the Law.

“Community Facilities Fund” means the City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) Community Facilities Fund established pursuant to the Indenture.

“Council” means the City Council of the City.

“Debt Service” means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of all Minimum Sinking Fund Account Payments, plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Minimum Sinking Fund Account Payment required to be deposited in the Sinking Fund Subaccount in such Bond Year.

“Expense Account” means the account within the Special Tax Fund referred to by that name established pursuant the Indenture.

“Expenses” means all expenses paid or incurred by the City for the cost of planning and designing the Facilities, including the cost of environmental evaluations of the Facilities and the costs associated with the creation of the Community Facilities District, the issuance of the Bonds, the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, or costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District, and any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities; all as determined in accordance with Generally Accepted Accounting Principles.

“Facilities” means those certain public facilities constituting water facilities (including the Willow Hill Transmission Pipeline construction and rehabilitation project, and all ancillary work necessary or appropriate related thereto), all within or in the vicinity of the CFD. The improvements shall include all related clearing and grubbing, grading and appurtenances, and any removal or temporary signage or markings related thereto, authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Law at the special election held in the Community Facilities District on March 24, 2015.

“Federal Securities” means (a) any securities now or hereafter authorized both the interest on and principal of which are guaranteed by the full faith and credit of the United States of America, and (b) any of the following obligations of federal agencies not guaranteed by the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under such act, and (3) stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation, as and to the extent that such securities or obligations are eligible for the legal investment of City funds.

“Finance Director” means the Finance Director/Chief Financial Officer of the City.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

“Fitch” means Fitch Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Holder” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to the Indenture.

“Indenture” means that certain Indenture providing for the issuance of the Local Obligations and all Supplemental Indentures thereto.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the City, and who, or each of whom --

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Law” means the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California) and all laws amendatory thereof or supplemental thereto.

“Local Obligation Purchase Contract” means the Local Obligation Purchase Contract between the City and the Authority providing for the sale of the 2015 Bonds.

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Debt Service in any Bond Year during the period from the date of such calculation through the final maturity date of any Outstanding Bonds.

“Minimum Sinking Fund Account Payments” means the payments required under the Indenture and under all Supplemental Indentures to be deposited in the Sinking Fund Subaccount for the payment of the Term Bonds.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Opinion of Counsel” means a written opinion of counsel (including, without limitation, the City Attorney) retained by the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds except --

- (a) Bonds delivered to the Trustee for cancellation and destruction;
- (b) Bonds paid or deemed to have been paid; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee.

“Permitted Investments” means any of the following investments, as authorized by applicable law at the time of making such investment, namely:

- (1) Federal Securities;

(2) Participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) and senior debt obligations of the Federal Home Loan Mortgage Corporation; consolidated system-wide bonds and notes of the Farm Credit System; senior debt obligations and mortgage-backed securities (excluding stripped mortgage-backed securities which are purchased at prices exceeding their principal amounts) of the Federal National Mortgage Association; senior debt obligations (excluding securities that have no fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) of the Student Loan Marketing Association; debt obligations of the Resolution Funding Corp.; and REFCORP STRIPS (stripped by the Federal Reserve Bank of New York) (collectively, the “Agency Obligations”);

(3) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose long-term unsecured general obligation debt is rated “A3” or better by Moody’s and “A-” or better by Standard & Poor’s or any obligation fully and unconditionally guaranteed by any state or subdivision or agency thereof whose long-term, unsecured general obligation debt is rated “A3” or better by Moody’s and “A-” or better by Standard & Poor’s;

(4) Commercial paper (that matures in not more than three hundred sixty-five (365) days) rated “Prime-1” or better by Moody’s and “A-1” or better by Standard & Poor’s;

(5) Deposits, Federal funds or bankers acceptances (that mature in not more than three hundred sixty-five (365) days) of any domestic bank (including a branch office of a foreign bank which branch office is located in the United States of America, if the Trustee shall have received a legal opinion or opinions to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank), which:

(a) has an unsecured, uninsured and unguaranteed obligation rated “Prime-1” or “A3” or better by Moody’s and “A-1” or “A-” or better by Standard & Poor’s, or

(b) is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in paragraph (a) above;

(6) Deposits in any bank or savings and loan association which has a combined capital, surplus and undivided profits of not less than ten million dollars (\$10,000,000); provided, that if such deposits are fully insured by the Federal Deposit Insurance Corporation, the Banking Insurance Fund or the Savings Association Insurance Fund, or are fully collateralized by Federal Securities;

(7) Investments in a money-market fund rated “Am” or “Am-G” or better by Standard & Poor’s, including any such fund managed, advised or sponsored by the Trustee or any of its affiliates;

(8) Repurchase agreements with a term of six (6) months or less with any institution having long-term, unsecured debt rated at least “AA” or commercial paper rated “A-1+” by Standard & Poor’s;

(9) Repurchase agreements collateralized by Federal Securities (“Collateral Securities”) with any registered broker-dealer which is under the jurisdiction of the Securities Investors Protection Corporation or any commercial bank, if such broker-dealer or bank has uninsured, unsecured and unguaranteed debt rated “Prime-1” or “A3” or better by Moody’s and “A-1” or “A-” or better by Standard & Poor’s; provided, that:

(a) a master repurchase agreement or other specific written repurchase agreement governs the transaction;

(b) the Collateral Securities are held free and clear of any other lien by the Trustee or an independent third party acting solely as agent for the Trustee, so long as any such third party (A) is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than twenty-five million dollars (\$25,000,000), and (B) certifies in writing to the Trustee (or delivers to the Trustee a written opinion of counsel to such third party) that such third party holds the Collateral Securities free and clear of any lien, as agent for the Trustee;

(c) a perfected first security interest under the Uniform Commercial Code is created in, or book-entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. are followed with respect to, the Collateral Securities for the benefit of the Trustee;

(d) such repurchase agreement has a term of thirty (30) days or less, or the Trustee will value the Collateral Securities no less frequently than monthly and will liquidate the Collateral Securities if any deficiency in the required collateral percentage is not restored within two (2) Business Days of such valuation;

(e) such repurchase agreement matures (or permits the Trustee to withdraw all or any portion of the invested funds) at least ten (10) days (or other appropriate liquidation period) prior to each interest payment date on the Bonds;

(f) the fair market value of the Collateral Securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least one hundred three per cent (103%); and

(g) the Trustee obtains an opinion of counsel to such broker-dealer or bank (which opinion shall be addressed to the City) to the effect that such repurchase agreement is a legal, valid, binding and enforceable agreement of such broker-dealer or bank (and, in the case of a bank which is a branch of a foreign bank, of such foreign bank) in accordance with its terms;

(10) Shares in the California Asset Management Program (established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California) that invests exclusively in investments permitted by Section 53635 of the Government Code of the State of California, as now existing and as it may be amended from time to time; and

(11) Investments in the Local Agency Investment Fund maintained by the California State Treasurer, which such investments shall only be invested in the special portion of the Local Agency Investment Fund for bond proceeds that are not subject to arbitrage restrictions and for which such investments the Trustee shall be designated as the authorized authority to transact investments in such fund.

“Priority Administrative Expenses” means an amount equal to (i) (a) for Fiscal Year 2015-16, \$30,000, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Priority Administrative Expenses on each July 1, from and including the July 1 immediately following the end of the then current Fiscal Year to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year, reduced by (ii) the percentage of the Bonds that have been redeemed or have matured provided that in no event shall the Priority Administrative Expenses be less than \$30,000.

“Refunding Bonds” mean Bonds other than the 2015 Bonds issued under the Indenture in accordance with the provisions thereof.

“Required Bond Reserve” means, as of any date of calculation, the least of (a) ten per cent (10%) of the original principal amount of the Bonds, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five per cent (125%) of the average annual Debt Service on the Bonds payable in the current Bond Year and in all future Bond Years during which any Bonds are scheduled to be Outstanding, all as determined by the City under the Code and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to “AA” or higher assigned by Fitch or “Aa” or higher assigned by Moody’s or “AA” or higher assigned by Standard & Poor’s.

“Special Tax” means the special tax authorized to be levied and collected annually on all Taxable Property in the Community Facilities District under and pursuant to the Law at the special election held in the Community Facilities District on March 24, 2015.

“Special Tax Consultant” means any consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relative to special tax bond financing for California community facilities districts formed under and pursuant to the Act, appointed and paid by the City, and who, or each of whom --

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

“Special Tax Fund” means the City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) Special Tax Fund established pursuant to the Indenture.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Supplemental Indenture” means any indenture then in full force and effect that has been made and entered into by the City and the Trustee, amendatory of or supplemental to the Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the certificate or certificates delivered upon the issuance of any series of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

“Taxable Property” means all property within the Community Facilities District taxable under the Law in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

“Trust Agreement” means that certain Trust Agreement among the Authority, the City and the Trustee, as trustee for the Folsom Ranch Financing Authority Special Tax Revenue Bonds, Series 2015A.

“Trustee” means MUFJ Union Bank, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the Indenture, at its Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in California which may at any time be substituted in its place as provided in the Indenture.

“Written Request of the City” means an instrument in writing signed by the City Manager or the Finance Director, or by any other officer of the City duly authorized by the City Council for that purpose.

Equal Security

In consideration of the acceptance of the Bonds by the Holders thereof, the Indenture shall be deemed to be and shall constitute a contract between the City and the Holders from time to time to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, sold, executed, authenticated and delivered under the Indenture, subject to the agreements, conditions, covenants and terms contained in the Indenture; and all agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by or on behalf of the City shall be for the equal and proportionate benefit, security and protection of all Holders without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number thereof or the time of execution, authentication or delivery thereof or otherwise for any cause whatsoever, except as expressly provided in the Indenture or therein.

Authorization and Issuance of Bonds

Authorization and Purpose of Bonds

The issuance of the 2015 Bonds has been authorized by the City pursuant to each and every requirement of the Law and of the Indenture, to issue the Bonds in one or more series as from time to time shall be authorized and established by the City pursuant to the Law and pursuant to the Indenture and pursuant to one or more Supplemental Indentures, which series shall be entitled to the benefit, protection and security of the provisions of the Indenture, shall be designated the “City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) Special Tax Bonds.” An initial series of Bonds shall be issued under the Indenture to be designated the “City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) Special Tax Bonds, Series 2015.”

The purpose for which the Bonds are to be issued is to provide funds to pay costs of the acquisition and construction of the Facilities, including the repayment of funds advanced by the City for the Community Facilities District and the repayment under any agreement of advances of funds or reimbursement for the lesser of the value or cost of work in-kind provided by any person for the Community Facilities District, and including the payment of costs incidental to or connected with such acquisition and construction.

Refunding Bonds

The City may at any time issue Refunding Bonds payable from the proceeds of the Special Tax as provided in the Indenture on a parity with all other Bonds and Refunding Bonds theretofore issued or to be issued under the Indenture, but only subject to the following conditions, which are conditions precedent to the issuance of such Refunding Bonds:

(a) The issuance of Refunding Bonds shall have been authorized pursuant to the Law and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) The purpose for which the Refunding Bonds are to be issued; provided, that the proceeds of sale of such Refunding Bonds shall be applied solely for the purpose of refunding Bonds and payment of the Costs of Issuance;

(ii) The principal amount and designation of the Refunding Bonds and the denomination or denominations of the Refunding Bonds;

(iii) The date, the maturity date or dates, the interest payment dates and the dates on which Minimum Sinking Fund Account Payments are due, if any, for such Refunding Bonds; provided, that (i) the Serial Bonds of such Refunding Bonds shall be payable as to principal on September 1 of each year in which principal of such Refunding Bonds falls due, and the Term Bonds of such Refunding Bonds shall be subject to mandatory redemption on September 1 of each year in which Minimum Sinking Fund Account Payments for such Refunding Bonds are due; (ii) the Refunding Bonds shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve (12) months and the interest shall be payable thereafter semiannually on March 1 and September 1, (iii) all the Refunding Bonds of a series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) serial maturities of Serial Bonds of such Refunding Bonds or Minimum Sinking Fund Account Payments for Term Bonds of such Refunding Bonds, or any combination thereof, shall be established to provide for the redemption or payment of the Refunding Bonds on or before their respective maturity dates;

(iv) The redemption premiums and redemption terms, if any, for such Refunding Bonds;

(v) The form of the Refunding Bonds;

(vi) The amount, if any, to be deposited from the proceeds of sale of such Refunding Bonds in the Redemption Account, and its use to pay interest on such Refunding Bonds;

(vii) The amount to be deposited from the proceeds of sale of such Refunding Bonds in the Bond Reserve Account; provided, that the Bond Reserve Account shall be increased at the time that such Refunding Bonds becomes Outstanding to an amount at least equal to the Required Bond Reserve, and an amount at least equal to the Required Bond Reserve shall thereafter be maintained in the Bond Reserve Account;

(viii) The amount to be deposited from the proceeds of sale of such Refunding Bonds in the separate account for each series of Refunding Bonds to be established in the Costs of Issuance Fund; and

(ix) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(b) The City shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture and in all Supplemental Indentures required to be observed or performed by it,

and no Event of Default under the Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing; and

(c) Refunding Bonds may be issued only if the Debt Service in each Bond Year after the issuance of such Refunding Bonds is not increased by reason of the issuance of such Refunding Bonds.

Procedure for the Issuance of Refunding Bonds.

At any time after the sale of any Refunding Bonds in accordance with the Law, the Refunding Bonds shall be executed by the City and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following documents:

(a) An executed copy of the Supplemental Indenture authorizing the issuance of such Refunding Bonds;

(b) A Written Request of the City as to the delivery of the Refunding Bonds;

(c) An Opinion of Counsel to the effect that (i) the City Council has the right and power under the Law to execute the Indenture and the Supplemental Indenture, and the Indenture and Supplemental Indenture have each been duly and lawfully executed and delivered by the City Council and are in full force and effect and are valid and binding upon the City and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities in the State of California) and no other authorization for the execution thereof is required; and (ii) the Refunding Bonds are valid and binding special tax obligations of the City payable from the proceeds of the Special Tax and the other funds provided in the Indenture for such payment as provided in the Indenture and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities in the State of California) and the terms of the Law and of the Indenture and the Supplemental Indenture and the Refunding Bonds have been duly and validly authorized, sold, executed, authenticated and delivered in accordance with the Act and with the Indenture and the Supplemental Indenture;

(d) A Certificate of the City containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture for the issuance of Refunding Bonds; and

(e) The proceeds of the sale of such Refunding Bonds

Terms of Bonds

The 2015 Bonds shall be dated the date of the delivery thereof, and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum as set forth in the Indenture.

Minimum Sinking Fund Account Payments are established for the mandatory redemption and payment of the Term Bonds of the 2015 Bonds, which payments shall become due during the years ending on the dates and in the amounts as set forth in the Indenture.

All such Minimum Sinking Fund Account Payments shall be deposited in the Sinking Fund Subaccount. All money in the Sinking Fund Subaccount shall be used and withdrawn by the Trustee at any time for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges) as the City may in its discretion determine, but not to exceed the principal amount of such Term Bonds. All money in the Sinking Fund Subaccount on September 1 of each year during the period set forth in the Indenture shall be used and withdrawn by the Trustee on such September 1 for the mandatory redemption or payment of the Term Bonds of the 2015 Bonds as set forth in the Indenture; and the City agrees and covenants with the Holders of the Term Bonds to call and redeem in accordance with the Indenture or pay the Term Bonds from the Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount pursuant to this paragraph whenever on September 1 of any year there is money in the Sinking Fund Subaccount available for such purpose.

Interest Payment Dates

Interest on the Bonds shall be computed on the basis of a 360-day year of twelve (12) 30-day calendar months, and shall be payable on March 1, 2016, and semiannually thereafter on September 1 and March 1 in each year until the principal sum of the Bonds has been paid. The Bonds shall bear interest from the interest payment date next preceding the date of registration thereof, unless they are registered on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both inclusive, in which event they shall bear interest from such interest payment date, or unless they are registered on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date, in which event they shall bear interest from their dated date; provided, that if at the time of registration of any Bond interest is then in default on the Outstanding Bonds, such Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Redemption or Exchange of Bonds

Redemption Prices and Terms of Bonds

The Term Bonds are subject to mandatory redemption by the City prior to their respective stated maturity dates as set forth in the Indenture, solely from Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount, at a redemption price equal to one hundred per cent (100%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date fixed for redemption.

The 2015 Bonds maturing on or after September 1, 20__, are subject to optional redemption by the City prior to their respective maturity dates as a whole or in part on any date on or after September 1, 20__, from funds derived by the City from any source other than such Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount or such prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (computed upon the principal amount of the 2015 Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption, to wit:

103% if redeemed on any date on or before September 1, 20__;

102% if redeemed on any date after September 1, 20__ through September 1, 20__;

101% if redeemed on any date after September 1, 20__ through September 1, 20__; and

100% if redeemed on any date on or after September 1, 20__.

The 2015 Bonds are subject to extraordinary redemption by the City prior to their respective maturity dates, as a whole or in part on any interest payment date, from funds derived by the City from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (computed upon the principal amount of the 2015 Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption, to wit:

103% if redeemed on an interest payment date on or after March 1, 20__ through March 1, 20__;

102% if redeemed on an interest payment date on or after September 1, 20__ through March 1, 20__;

101% if redeemed on an interest payment date on or after September 1, 20__ through March 1, 20__; and

100% if redeemed on September 1, 20__ or any interest payment date thereafter.

Selection of Bonds for Redemption

If less than all the Outstanding Bonds are to be redeemed at the option of the City at any one time, the Bonds of the latest maturity date or dates shall be redeemed prior to or simultaneously with the redemption of the Bonds maturing prior thereto, and if less than all the Outstanding Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) randomly in any manner that it deems appropriate and fair.

Exchange for Other City Special Tax Bonds

The Authority, as Holder of the 2015 Bonds, may consent at any time or from time to time to accept from the City special tax bonds payable as to principal and interest at the same time and bearing the same rates and redemption premiums and maturing in the same amounts in exchange for all or any portion of the 2015 Bonds. Upon such exchange, the Authority as Holder shall surrender such 2015 Bond to the Trustee for cancellation. The Required Bond Reserve shall be calculated upon such cancellation and any amount held in the Bond Reserve Account in excess of the Required Bond Reserve upon such calculation shall be transferred to the trustee for the exchanged bonds to be deposited in the related bond reserve account.

Special Tax

Deposit of Proceeds of the Special Tax in the Special Tax Fund

The City agrees and covenants that it will transfer to the Trustee from the Special Tax proceeds (after payment of its Priority Administrative Expenses) amounts sufficient and in sufficient time for the Trustee to make the transfers required by as described under “—Allocation of Money in the Special Tax Fund” (less any capitalized interest), and the Trustee shall deposit such proceeds as and when received in the City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) Special Tax Fund, which fund the Trustee shall establish and maintain so long as Bonds remain Outstanding under the Indenture, and all money in such fund shall be held by the Trustee in trust under the Indenture and shall be disbursed, allocated and applied solely to the uses and purposes described in the Indenture.

Allocation of Money in the Special Tax Fund

All money in the Special Tax Fund shall be set aside by the Trustee in the following respective special accounts in the following order of priority, and all money in each of such funds shall be applied, used and withdrawn only for the purposes authorized in the Indenture, namely:

- (1) Redemption Account,
- (2) Bond Reserve Account,
- (3) Expense Account.

Redemption Account. On or before March 1 and September 1 in each year, beginning in March 2016, the Trustee shall, from the money in the Special Tax Fund, transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be, and on or before September 1 in each year, beginning in September 2016, the Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 plus all Minimum Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Subaccount; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that money in the Special Tax Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Special Tax Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Minimum Sinking Fund Account Payments bear to each other.

No deposit need be made into the Redemption Account if the amount of money contained therein is at least equal to the amount required by the terms of the preceding paragraph to be deposited therein at the times and in the amounts provided in the Indenture.

All money in the Redemption Account shall be used and withdrawn by the Trustee to pay the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) plus the principal of and redemption premiums, if any, on the Bonds as they shall mature or upon the prior redemption thereof, except that any money in the Sinking Fund Subaccount shall be used only to purchase or redeem or retire the Term Bonds as provided in the Indenture.

Bond Reserve Account. On or before March 1 and September 1 in each year, beginning in March 2016, the Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Bond Reserve Account such amount of money as shall be required to restore the Bond Reserve Account to a sum equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Account shall (beginning in March 2016) be valued on March 1 and September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments plus the amortization of any premium or minus the amortization of any discount, or (ii) the market value of such investments.

No deposit need be made into the Bond Reserve Account if the value of the investments contained therein is at least equal to the Required Bond Reserve.

All money in the Bond Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds in the event there is insufficient money in the Redemption Account available for this purpose; provided, that if as a result of any of the foregoing valuations it is determined that the amount of money in the Bond Reserve Account exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Redemption Account.

Expense Account. On or before March 1 and September 1 in each year, beginning in March 2016, the Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Account a sum equal to the amount required by the City (as specified in a Written Request of the City filed with the Trustee) for the payment of budgeted Expenses during the six-month period beginning on such date, or to reimburse the City for the payment of unbudgeted Expenses during the prior six-month period. All money in the Expense Account shall be used and withdrawn by the Trustee only for transfer to or for the account of the City (as specified in a Written Request of the City filed with the Trustee) to pay budgeted Expenses as provided in the Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Indenture, or to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

All money remaining in the Special Tax Fund (other than money in the Redemption Account or in the Bond Reserve Account or in the Expense Account) on September 1 of each year, beginning in September 2015, after transferring all of the sums required to be transferred therefrom on or prior to such date as described above, shall be withdrawn from the Special Tax Fund by the Trustee and transferred to the City for deposit in the City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) Community Facilities Fund, which fund is established in the treasury of the City. All money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Law; provided, that the Trustee shall not make any such withdrawal of money in the Special Tax Fund (other than for the payment of the interest on or the principal of the Bonds) if and when (to the Trustee's actual knowledge) an Event of Default is then existing under the Indenture.

Covenants of the City

Against Indebtedness and Encumbrances

The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided in the Indenture, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided in the Indenture; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided in the Indenture.

Covenant Against Federal Income Taxation

(a) The City covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Authority Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code.

(b) The above covenants of the City as provided in the Indenture shall survive the defeasance of the Bonds.

Payment of Claims

The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the proceeds of the Special Tax or any part thereof or upon any funds in the hands of the City or the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

Protection of Security and Rights of Holders

The City will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

Payment of Governmental Charges and Compliance with Governmental Regulations

The City will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Facilities or any part thereof promptly as and when the same shall become due and payable, except that the City shall not be required to pay any such governmental charges so long as the application or validity thereof shall be contested in good faith and the City shall have set aside reserves to cover such charges. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Facilities or any part thereof, except that the City shall not be required to comply with any such regulations or requirements so long as the application or validity thereof shall be contested in good faith.

Levy and Collection of the Special Tax

The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Property in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Redemption Account, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Minimum Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Account and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes are collected and, except as otherwise provided in connection with foreclosure proceedings or by the Law, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

Foreclosure of Special Tax Liens

The City shall conduct foreclosure proceedings in the manner set forth in the Trust Agreement.

Amendment of or Supplement to the Indenture

Amendment or Supplement With Consent of Holders.

The Indenture and the rights and obligations of the City and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of

sixty per cent (60%) or more in aggregate principal amount of the Bonds then Outstanding, exclusive of disqualified Bonds, shall have been filed with the Trustee; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or principal of or Minimum Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided in the Indenture without the express written consent of the Holder of such Bond, or (2) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided in the Indenture, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

Amendment or Supplement Without Consent of Holders.

The Indenture and the rights and obligations of the City and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and after receiving an approving Opinion of Counsel and only for any one or more of the following purposes –

(i) To add to the agreements and covenants required in the Indenture to be performed by the City other agreements and covenants thereafter to be performed by the City which shall not (in the opinion of the City) adversely affect the interests of the Holders, or to surrender any right or power reserved in the Indenture to or conferred in the Indenture upon the City which shall not (in the opinion of the City) adversely affect the interests of the Holders;

(ii) To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the City may deem desirable or necessary and not inconsistent with the Indenture and which shall not (in the opinion of the City) adversely affect the interests of the Holders;

(iii) To authorize the issuance of Refunding Bonds and to provide the conditions and terms under which the Refunding Bonds may be issued;

(iv) To authorize the issuance under and subject to the Law of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued; To make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to insure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State of California personal income taxes; or

(v) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating on the Bonds.

Events of Default and Remedies Of Holders

Events of Default and Remedies of Holders

If one or more of the following events (herein “Events of Default”) shall happen, that is to say --

(a) if default shall be made by the City in the due and punctual payment of any interest on or principal of or Minimum Sinking Fund Account Payment for any of the Bonds when and as the same shall become due and payable;

(b) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained in the Indenture required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Trustee;

(c) if default shall be made by the City in the due and punctual payment of any indebtedness on a parity with or senior to the Bonds; or

(d) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then in each and every such case during the continuance of such Event of Default any Holder shall have the right for the equal benefit and protection of all Holders similarly situated --

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the City Council or the City or any of the officers or employees of the City, and to compel the City Council or the City or any such officers or employees to perform and carry out their duties under the Law and the agreements and covenants with the Holders contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the nonpayment of the Bonds to require the City Council or the City or its officers and employees to account as the trustee of an express trust.

Non-waiver

Nothing in the Indenture or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon redemption prior to maturity as provided in the Indenture from the proceeds of the Special Tax and the other funds as provided in the Indenture, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Indenture and in the Bonds.

A waiver of any Event of Default or breach of duty or contract by any Holder shall not affect any subsequent Event of Default or breach of duty or contract and shall not impair any rights or remedies on any such subsequent Event of Default or breach of duty or contract. No delay or omission by any Holder to exercise any right or remedy accruing upon any Event of Default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or breach of duty or contract or an acquiescence therein, and every right and remedy conferred upon the

Holders by the Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to any Holder, the City and such Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Indenture conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Defeasance

Discharge of the Bonds

If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Indenture, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City for deposit in the Community Facilities Fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Indenture if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the City shall have agreed to mail a notice of redemption to the respective Holders of all such Outstanding Bonds, (2) there shall have been deposited with an escrow agent or the Trustee either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee, and an Opinion of Counsel to the effect that the payment of such Bonds has been provided for in the manner set forth in the Indenture and that all obligations of the City with respect to such Bonds have been discharged and satisfied, shall have been filed with the City and the Trustee, and (3) in the event such Bonds are not

by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have agreed to mail a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Miscellaneous

Liability of City Limited to Proceeds of the Special Tax

Notwithstanding anything contained in the Indenture, the City shall not be required to advance any money derived from any source of income other than the proceeds of the Special Tax and the other funds provided in the Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

The Bonds are special tax obligations of the City and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax and such other funds, and the City is not obligated to pay them except from the proceeds of the Special Tax and such other funds. The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the proceeds of the Special Tax and such other funds, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council nor the City nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds otherwise than from the proceeds of the Special Tax and such other funds as provided in the Indenture.

Benefits of the Indenture Limited to Certain Parties

Nothing contained in the Indenture, express or implied, is intended to give to any entity or person other than the City Council, the City, the Trustee, and the Holders any right, remedy or claim under or by reason of the Indenture, and any agreement or covenant required in the Indenture to be performed by or on behalf of the City Council or the City or any officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

Deposit and Investment of Moneys in Funds

All money held by the Trustee in any accounts and funds established in the Indenture shall be deposited in time or demand deposits in any state or nationally chartered bank or trust company, including the Trustee, or any state or federal savings and loan association, and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law, except such money that is at the time invested in accordance with the Indenture as described in this section. Any money in the Special Tax Fund and in the Redemption Account and in the Expense Account shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Permitted Investments specified in such Written Request of the City that mature not later than the date on which it is estimated that such money will be required to be paid out under the

Indenture, and any money in the Bond Reserve Account shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Permitted Investments specified in such Written Request of the City that mature not more than five (5) years from the date of purchase by the Trustee, or the final maturity date of any Outstanding Bonds, whichever is earlier; and the Trustee may conclusively rely and determine that any investment specified in any such Written Request of the City is a Permitted Investment or a Federal Security, as the case may be, under the Indenture; provided, that in the absence of written instructions from the City regarding such investments, such money shall be held uninvested. The Trustee (or any affiliate thereof) may act as principal or agent in the making of any investment under the Indenture and may impose its customary charges therefor, and shall not be responsible for any loss suffered in connection with any investment made in accordance with the Indenture. Notwithstanding anything in the Indenture to the contrary, for purposes of any time limitation on the maturity of an investment of moneys in the funds and accounts held thereunder, such investment shall be deemed to satisfy such time limitation if, by its terms and within such time limitation, the City or the Trustee has the right, for any purpose permitted or required under the Indenture, to demand the repurchase, redemption, withdrawal or termination of such investment and to receive at least the outstanding par amount thereof plus accrued interest, without penalty.

All interest received on any such money so deposited or invested which exceeds the requirements of the account or fund from which such money was deposited or invested shall be deposited in the Redemption Account, and all losses on any such money so deposited or invested shall be borne by the account or fund from which the deposit or investment was made.

Governing Law

Each Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.⁷

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”), dated as of _____, 2015, is executed and delivered by the City of Folsom (the “City”) relative to the Folsom Ranch Financing Authority (the “Authority”) in connection with the issuance by the Authority of the Folsom Ranch Financing Authority Special Tax Revenue Bonds, Series 2015A (the “Series 2015A Bonds”). The Series 2015A Bonds are being issued pursuant to a Trust Agreement (the “Trust Agreement”), between the Authority and MUFG Union Bank, N.A. (the “Trustee”). The City covenants and agrees as follows.

Section 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Series 2015A 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 Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 hereof.

“**Annual Report Date**” means the date in each year that is nine months after the end of the City’s fiscal year, which date, as of the date of this Disclosure Certificate, is April 1.

“**Dissemination Agent**” shall mean NBS, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“**EMMA System**” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“**Listed Events**” means any of the events listed in subsection (a) of Section 5 hereof.

“**MSRB**” means the Municipal Securities Rulemaking Board, or any successor thereto.

“**Official Statement**” means the Official Statement, dated _____, 2015, relating to the Series 2015A Bonds.

“**Participating Underwriters**” means any of the original underwriters of the Series 2015A Bonds required to comply with the Rule in connection with the offering of the Series 2015A Bonds.

“**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The City shall, or shall cause the Dissemination Agent to, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 hereof, not later than the Annual Report Date, commencing with the report for the 2014-15 Fiscal Year. 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 hereof; provided, however, that the audited financial statements of the City 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, or shall instruct the Dissemination Agent to, give notice of such change in the same manner as for a Listed Event under subsection (e) of Section 5 hereof.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent).

(c) If the Dissemination Agent is other than the City, then not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. If the City is unable to provide the Annual Report to the MSRB by the Annual Report Date, the City shall send a notice to the MSRB in substantially the form attached as Exhibit A to the Disclosure Certificate.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the City and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was so 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. 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 subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited 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 Authority Bonds Outstanding as of the December 31 next preceding the Annual Report Date;

(ii) The balance in each reserve account for the Local Obligations, and a statement of each required bond reserve amount, as of the December 31 next preceding the Annual Report Date;

(iii) The total assessed value of all parcels within each District on which the Special Taxes are levied, as shown on the assessment roll of the Sacramento County Assessor last equalized prior to the December 31 next preceding the Annual Report Date, and a statement of assessed value-to-lien ratios therefor based on special tax and assessment debt, either by individual parcel or by categories (e.g., "below 3:1," "3:1 to 4:1" etc.);

(iv) The Special Tax delinquency rate for each District as of the December 31 next preceding the Annual Report Date; the number of parcels within each District delinquent in payment of special taxes as of the December 31 next preceding the Annual Report Date; 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 \$1,000 or less (excluding penalties and interest) may be grouped together and such information may be provided by category;

(v) The status of foreclosure proceedings and a summary of the results of any foreclosure sales in the Districts as of the December 31 next preceding the Annual Report Date;

(vi) The identity of any property owner, representing more than 5% of the Special Tax levy, delinquent in payment of special taxes as of the December 31 next preceding the Annual Report Date;

(vii) All tentative and final maps approved and/or recorded within the Districts, describing the gross acres, the planned commercial acres and the number and type of planned residential dwelling units;

(viii) The number of new building permits issued and a description of the purpose of such permits (e.g., new single-family, new multi-family, new commercial, new industrial); and

(ix) A land ownership summary listing the top ten Special Tax payers for each District, as shown on the assessment roll of the Sacramento County Assessor last equalized prior to the December 31 next preceding the Annual Report Date.

In addition to any of the information expressly required to be provided under this Section, as set forth above, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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 the MSRB through the EMMA System. 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, the City shall promptly give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015A Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue 9IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Series 2015A Bonds, or other material events affecting the tax-exempt status of the security.

(vi) Tender offers

(vii) Defeasances.

(viii) Rating changes.

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, Local Obligations Trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall promptly give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015A Bonds, if material:

(i) Modifications to rights of Bond holders.

(ii) Optional, unscheduled or contingent Bond calls.

(iii) Release, substitution or sale of property securing repayment of the Series 2015A Bonds.

(iv) Non-payment related defaults.

(v) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vi) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in subsection (b) above, the City shall determine if such event would be material under applicable federal securities laws.

(d) If the City learns of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable federal securities laws, the City shall notify the Dissemination Agent thereof in writing and instruct the Dissemination Agent to report the occurrence pursuant to subsection (e) of this Section. If in response to a request under subsection (b) of this Section, 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 (e) of this Section.

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in paragraph (vii) of subsection (a) of this Section and paragraph (ii) of subsection (b) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2015A Bonds pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2015A Bonds. If such termination occurs prior to the final maturity of the Series 2015A Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under subsection (e) of Section 5 hereof.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Disclosure Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 3 hereof, Section 4 hereof or subsections (a) and (b) of Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2015A 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 Series 2015A 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 Owners of the Series 2015A Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Series 2015A Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the 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, 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 statements or information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be given in the same manner as for a Listed Event under subsection (e) of Section 5 hereof.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of outstanding Series 2015A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee under the Trust Agreement. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Certificate. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015A Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Series 2015A Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate 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.

IN WITNESS WHEREOF, the City of Folsom has executed this Disclosure Certificate as of the date first above written.

CITY OF FOLSOM

By: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Folsom Ranch Financing Authority

Name of Issue: Folsom Ranch Financing Authority Special Tax Revenue Bonds, Series 2015A

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the City of Folsom (the "City") has not provided an Annual Report with respect to the above-named Series 2015A Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated _____, 2015, executed by the City for the benefit of the Holders and Beneficial Owners of the above-referenced bonds. [The City anticipates that the Annual Report will be filed by _____.]

Dated: _____

City of Folsom

Finance Director

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Folsom Ranch Financing Authority
Folsom, California

Folsom Ranch Financing Authority
Special Tax Revenue Bonds, Series 2015A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Folsom Ranch Financing Authority (the “Issuer”) in connection with issuance of \$_____ aggregate principal amount of Folsom Ranch Financing Authority Special Tax Revenue Bonds, Series 2015A (the “Series 2015A Bonds”), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (constituting Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) and a trust agreement, dated as of June 1, 2015 (the “Trust Agreement”), between the Issuer and MUFG Union Bank, N.A., as trustee (the “Trustee”). The Trust Agreement provides that the Series 2015A Bonds are issued for the purpose of enabling the Issuer to acquire certain local obligations to be issued by the City of Folsom (the “Local Agency”) and to pay the costs of issuance of the Series 2015A Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Tax Certificate, opinions of counsel to the Issuer, the Local Agency, the Trustee and others, certificates of the Issuer, the Local Agency, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2015A Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2015A Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Series 2015A Bonds, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion

in appropriate cases and to the limitations on legal remedies against joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2015A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2015A Bonds constitute valid and binding limited obligations of the Issuer.
2. The Trust Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Issuer.
3. Interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2015A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2015A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2015A Bonds, payment of principal of, premium, if any, and interest on the Series 2015A Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2015A Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the Authority believes to be reliable, but the Authority does not take responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Series 2015A Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in the Series 2015A Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Company (“DTC”), New York, New York, will act as securities depository for the Series 2015A Bonds. The Series 2015A 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 bond certificate will be issued for each maturity of the Series 2015A Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such maturity.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2015A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Bonds on DTC’s records. The ownership

interest of each actual purchaser of each Bond (the “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 Series 2015A 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 Series 2015A Bonds, except in the event that use of the book-entry system for the Series 2015A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015A 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 Series 2015A 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 Series 2015A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015A 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 Series 2015A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015A Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2015A Bonds may wish to ascertain that the nominee holding the Series 2015A 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 Series 2015A Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Series 2015A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price, and interest payments with respect to the Series 2015A 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 on a payable date in accordance with their respective holdings shown on DTC 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 or 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, redemption price and interest 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015A 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-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE AUTHORITY BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE. ANY FAILURE OF CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE AUTHORITY BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX G

APPRAISAL

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Appraisal Report

**City of Folsom Community Facilities
District (CFD) No. 17 (Willow Hill Pipeline)**
South of El Dorado Freeway (Highway 50), East of
Prairie City Road, Folsom, Sacramento County, CA
95630



Date of Report: May 8, 2015

Prepared For:

Mr. James Francis, Director/CFO
City of Folsom, Office of Management & Budget
50 Natoma Street
Folsom, CA 95630

Prepared By:

Kevin K. Ziegenmeyer, MAI
Eric A. Segal, Appraiser



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation



May 8, 2015

Mr. James Francis, Director/CFO
City of Folsom, Office of Management & Budget
50 Natoma Street
Folsom, CA 95630

Re: City of Folsom Community Facilities District
(CFD) No. 17 (Willow Hill Pipeline)
Folsom, CA 95630

Dear Mr. Francis:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an Appraisal Report pertaining to the City of Folsom Community Facilities District (CFD) No. 17 (Willow Hill Pipeline) [the CFD]. This report is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004).

The CFD includes the taxable parcels within the City of Folsom Plan Area Specific Plan, with the exception of the three easternmost parcels along the Sacramento / El Dorado County boarder, as they are not to be encumbered by this special tax. The Folsom Plan Area Specific Plan contains 3,513.4± gross acres planned for 1,456.6± acres of residential units and 511.3± acres of commercial land uses; the balance of the area is set aside for open space and public land uses. The subject properties are located south of Highway 50, east of Prairie City Road, in an area annexed by the City of Folsom, Sacramento County, California. As of the date of inspection, April 16, 2015, the subject consisted primarily of raw, unimproved land. The subject is more fully described within the attached report.

The valuation of the subject properties that comprise the taxable parcels within the District (or CFD) is derived by ownership. For two of the controlling ownership groups their land holdings within the District are grouped into two components. The criteria for grouping the parcels as components are contiguous position and a common development timeline.

As a result of our analysis, presented on the following page is our opinion of the market value for each controlling ownership of the subject, as of April 16, 2015, in accordance with the extraordinary assumptions, general assumptions and limiting conditions on pages 6 through 8 of this report.

Component	Property Controlling Entity	Acres	Primary Use	Percent Developable	Development Timeline	Indicated Value per Acre	Indicated Value
A1	Westland Capital Partners, L.P.	1,152.77	Residential	55	5-10 yrs	\$60,000	\$69,166,200
	Easton Valley Holdings, LLC	340.09					
	Folsom Real Estate South, LLC	470.39					
	West Prairie Estate, LLC	239.53					
	West Scott Road, LLC	72.76					
	J & Z Property, LLC	30.00					
A2	Westland Capital Partners, L.P.	520.66	Residential	80	3-5 yrs	\$80,000	<u>\$41,652,800</u>
	Folsom Real Estate South, LLC	192.19					
	Mangini North Holdings, LLC	103.74					
	White Rock Land Investors, LLC	122.87					
	Carpenter East, LLC	101.86					
<i>Westland Capital Entities Subtotal</i>							\$110,819,000
B1	Aerogjet Rocketdyne Inc. (GenCorp)	634.87	Residential	70	5-10 yrs	\$70,000	\$44,440,900
B2	Easton Development Co., LLC (GenCorp)	73.78	Industrial	75	10-15 yrs	\$40,000	<u>\$2,951,200</u>
<i>GenCorp Subtotal</i>							\$47,392,100
C	TNHC Russell Ranch, LLC	449.09	Residential	75	3-5 yrs	\$75,000	\$33,681,600
D1	Eagle Commercial Partners, LLC (PCCP, LLC)	230.48	Commercial	100	3-5 yrs	\$100,000	\$23,048,000
D2	Eagle Office Properties, LLC (PCCP, LLC)	97.96	Industrial	50	10-15 yrs	\$30,000	<u>\$2,938,800</u>
<i>PCCP, LLC Subtotal</i>							\$25,986,800
E	Gragg Ranch Recovery Acquisition, LLC	138.86	Residential	85	3-5 yrs	\$85,000	\$11,802,845
F	Elliott Homes Inc.	37.08	Commercial	75	3-5 yrs	\$70,000	\$2,595,600
G	Arcadian Heights, LLC	12.99	Residential	70	3-5 yrs	\$80,000	\$1,039,200
Total: 3,348.54							Sum (Rd.) \$233,320,000

The market value of the District as a whole is not equivalent to the aggregate (cumulative) value above, but only the sum of the market values, by ownership.

The estimates of market value assume a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self interest and assuming neither is under duress.

We hereby certify the properties have been inspected and we have impartially considered all data collected in the investigation. Further, we have no past, present or anticipated future interest in the properties.

The subject properties do not have any significant natural, cultural, recreational or scientific value. The appraisers certify this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

This letter must remain attached to the report, which contains 80 pages, plus related exhibits and Appendix, in order for the value opinion(s) contained herein to be considered valid.

Mr. James Francis
May 8, 2015
Page 3

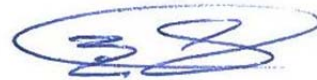
This appraisal has been performed in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

Thank you for the opportunity to work with you on this assignment.

Sincerely,



Kevin K. Ziegenmeyer, MAI
State Certification No.: AG013567
Expiration Date: June 4, 2015



Eric A. Segal, Appraiser
State Certification No.: AG026558
Expires: February 18, 2017

/mlm

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SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Subject: The City of Folsom Community Service District CFD No. 17 (Willow Hill Pipeline) is located within the Folsom Plan Area Specific Plan and contains approximately 3,348.54± total acres of land.

Location: The subject properties are located south of Highway 50, east of Prairie City Road, in the City of Folsom, Sacramento County, California.

Owner(s) of Record, APNs & Gross Acres:

Owner	Assessor's Parcel Numbers	Gross Acres
Aerojet - Rocketdyne Inc.	072-0060-073, -086, & -087	634.87
Arcadian heights, LLC	072-0070-035	12.99
Carpenter East, LLC	072-3190-009	101.86
Eagle Commercial Partners, LLC	072-3190-001 & -008	230.48
Eagle Office Properties, LLC	072-3190-002 & -006	97.96
Easton Development Company, LLC	072-0231-140	73.78
Easton Valley Holdings, LLC	072-3190-003, -004, & -005	340.09
Elliott Homes	072-0270-147	37.08
Folsom Real Estate South, LLC	072-0060-076, -077, -079, -080, -081, -082, & -084	662.58
Gragg Ranch Recovery Acquisition, LLC	072-0070-006, PTN 072-0060-012	138.86
J & Z Property, LLC	072-0060-007	30.00
Mangini North Holdings, LLC	072-0060-083	103.74
TNHC Russell Ranch, LLC	072-0070-033, 072-0270-138 and PTN 072-0060-012	449.09
West Prairie Estate, LLC	072-3190-007	239.53
West Scott Road, LLC	072-0060-078	72.76
White Rock Land Investors, LLC	072-0060-085	122.87
Total:		3,348.54

Note: Due to a recent transaction concerning separate portions of parcel 072-0060-012, the parcel number will be replaced by the Assessor’s office with separate parcel numbers for the new owners.

Zoning: The subject properties are located south of Highway 50 in an undeveloped area annexed by the City of Folsom. The Folsom Plan Area Specific Plan includes zoning for 1,456.6 acres of residential development comprised of both single and multi-family uses; 511.3 acres of commercial land including retail, industrial, office, and mixed use; in addition, more than 1,300 acres is devoted to parks, schools, and open space. A more detailed discussion of entitlements and zoning is found in the *Property Legal Data* section presented later in this report.

Flood Zoning: Zone X – Areas determined to be outside of the 2% annual chance flood plain.

Earthquake Zone: Zone 3 – Moderate seismic activity (not located in a Fault-Rupture Hazard Zone)

Current Use: Vacant land

Highest and Best Use: Phased development as demand warrants and infrastructure allows

Date of Inspection: April 16, 2015

Date of Value: April 16, 2015

Date of Report: May 8, 2015

Exposure and Marketing Time: 12 months (per component)

Conclusion of Value:

Component	Property Controlling Entity	Indicated Value		
		Acres	per Acre	Indicated Value
A1	Westland Capital Partners, L.P.	1,152.77	\$60,000	\$69,166,200
	Easton Valley Holdings, LLC	340.09		
	Folsom Real Estate South, LLC	470.39		
	West Prairie Estate, LLC	239.53		
	West Scott Road, LLC	72.76		
	J & Z Property, LLC	30.00		
A2	Westland Capital Partners, L.P.	520.66	\$80,000	<u>\$41,652,800</u>
	Folsom Real Estate South, LLC	192.19		
	Mangini North Holdings, LLC	103.74		
	White Rock Land Investors, LLC	122.87		
	Carpenter East, LLC	101.86		
	Westland Capital Partners, L.P. Subtotal			\$110,819,000
B1	Aerojet Rocketdyne Inc. (GenCorp)	634.87	\$70,000	\$44,440,900
B2	Easton Development Co., LLC (GenCorp)	73.78	\$40,000	<u>\$2,951,200</u>
	GenCorp Subtotal			\$47,392,100
C	TNHC Russell Ranch, LLC	449.09	\$75,000	\$33,681,600
D1	Eagle Commercial Partners, LLC (PCCP, LLC)	230.48	\$100,000	\$23,048,000
D2	Eagle Office Properties, LLC (PCCP, LLC)	97.96	\$30,000	<u>\$2,938,800</u>
	PCCP, LLC Subtotal			\$25,986,800
E	Gragg Ranch Recovery Acquisition, LLC	138.86	\$85,000	\$11,802,845
F	Elliott Homes Inc.	37.08	\$70,000	\$2,595,600
G	Arcadian Heights, LLC	12.99	\$80,000	\$1,039,200
	Total:	3,348.54		Sum (Rd.) \$233,320,000

The market value of the District as a whole is not equivalent to the aggregate (cumulative) value above, but only the sum of the market values, by ownership.

The concluded value is subject to the extraordinary assumptions, general assumptions and limiting conditions on pages 6 through 8.

CLIENT, INTENDED USER AND INTENDED USE

The client and intended user of the report is the City of Folsom. Additional intended users include the finance team, as assigned by the City. It is our understanding the report will be used for bond underwriting and disclosure purposes.

APPRAISAL REPORT FORMAT

This document is an Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2014-15 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

TYPE AND DEFINITION OF VALUE

The purpose of this appraisal is to estimate the market value (fee simple estate) of the individual components of the District and the aggregate, or cumulative, value of the District as a whole, as of April 16, 2015. Market value is defined as follows:

Market value: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) 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

PROPERTY RIGHTS APPRAISED

The market value estimates derived herein are for the fee simple estate, defined as follows:

Fee Simple Estate: absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.²

¹ Code of Federal Regulations, Title 12, Section 34.42 (55 Federal Register 34696, Aug. 24, 1990; as amended at 57 Federal Register 12202, Apr. 9, 1992; 59 Federal Register 29499, June 7, 1994).

DATES OF INSPECTION, VALUE AND REPORT

An inspection of the subject properties was completed on April 16, 2015, which represents the effective date of market value. This appraisal report was completed and assembled on May 8, 2015.

SCOPE OF WORK

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the subject properties were researched and documented. A physical inspection of the properties was completed and serves as the basis for the site description contained in this report. The subject properties were inspected from public roads at the boundaries of the plan area. A description of the subject parcels by APN, owner, and size was provided by the client. A questionnaire was circulated to each entity who owned at least a 10% interest in one of the subject’s parcels. Although we did not receive responses from all owners, we received and reviewed responses from owners associated with 81% of the District’s total acres.

For the purpose of this valuation we reviewed numerous documents, including the Folsom Plan Area Specific Plan and documents related to Community Facilities District No. 17 (Willow Hill Pipeline), which are available from the City of Folsom’s online resources. The sales history was verified by consulting public records. Zoning and entitlement information was collected from the City of Folsom Community Development Department. The subject’s earthquake zones, flood zones and utilities were obtained from the respective agencies, and property tax information was obtained from the County of Sacramento Assessor’s Office on-line resources. The U.S. Environmental Protection Agency website was reviewed for information on Superfund sites as it relates to land proximate to the Aerojet Rocketdyne facility.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area; newspaper articles; real estate conferences; and interviews with various market participants, including property owners, property managers, land brokers, developers and local government agencies.

In this appraisal, we determined the highest and best use of the components of the subject, as vacant and as improved, based on the four standard tests (legal permissibility, physical possibility, financial

²The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 78.

feasibility and maximum productivity). In addition, we estimated a reasonable exposure time associated with the market value estimate.

The subject includes almost all the land in the Folsom Plan Area Specific Plan, which contains approximately 3,513.4± total acres planned for residential and commercial land uses, with significant open space, located south of Highway 50, east of Prairie City Road, in the City of Folsom. As will be discussed in the Highest and Best Use section presented later in this Report, the subject properties would likely transfer as separate assembled components. The subject consists of parcels held by seventeen different owners in groupings containing varying percentages of developable area. In order to value the subject properties, we have utilized the sales comparison approach to value and arrayed comparable sales of similar land transactions in various stages of entitlement similar to the subject.

The valuation of the subject properties that comprise the taxable parcels within the District (or CFD) is derived by ownership. For two of the controlling ownership groups their land holdings within the District are grouped into two components. The criteria for grouping the parcels as components are contiguous position and a common development timeline.

The individuals involved in the preparation of this appraisal include Kevin Ziegenmeyer, MAI; Eric Segal, Appraiser; and Noah Kauffman, Research Analyst. Messrs. Ziegenmeyer, Segal, and Kauffman inspected the subject properties. Mr. Kauffman assisted in 1) reviewing the subject properties' information, 2) the collection and confirmation of market data, 3) the analysis of the market data, and 4) preparing portions of the draft report. Messrs. Ziegenmeyer and Segal 1) reviewed the subject properties' information, 2) reviewed Mr. Kauffman's research and also collected and confirmed data, 3) made any necessary revisions and/or amplifications, and 4) completed the final report.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

It is noted the use of an extraordinary assumption or hypothetical condition may have affected the results of the appraisal.

Extraordinary Assumptions

1. Grazing and radio tower leases were not provided for use in this valuation, and the scope of work outlined for this assignment is the market value of the fee simple estate in the appraised properties. Therefore, it is specifically assumed any grazing and/or radio tower leases that may exist on the subject properties are for 12 months or shorter and do not negatively impact the marketability of the properties or the ultimate development plans commensurate with the Folsom Planning Area Specific Plan, of which the properties are located.
2. Based on aerial views and physical inspections of the subject, structural improvements exist on some of the subject properties. Valuing the structural improvements is beyond the scope of this assignment and would be contrary to a valuation under the subject's highest and best use.
3. A preliminary title report, which would contain information regarding potential easements impacting the properties, was not provided for use in this assignment. Based on inspection, it is unlikely easements exist that impact the properties' value; however, as the appraiser is not a surveyor nor qualified to determine the exact location of any easements. It is assumed that any easements noted in a preliminary title report do not have an adverse impact on the opinion of value set forth in this report. If at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value contained herein.

Hypothetical Conditions

1. None

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.
2. No responsibility is assumed for matters of law or legal interpretation.
3. The properties are appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
5. It is assumed there are no hidden or unapparent conditions of the properties, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
6. It is assumed the properties are in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
7. It is assumed the properties conform to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the properties described and there is no encroachment or trespass unless noted in the report.
10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the properties. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the properties. The value estimated is predicated on the assumption there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of these properties to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the properties' potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by

the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.

12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
13. Possession of this report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.
15. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
16. An inspection of the subject properties revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.
17. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser.

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the properties that are the subject of this report.
- Eric A. Segal, Appraiser, and Noah Kauffman, Research Analyst, provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Appendix of this report for additional information.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



Kevin K. Ziegenmeyer, MAI
State Certification No.: AG013567 (June 4, 2015)

May 8, 2015
DATE

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the properties that are the subject of this report.
- Kevin K. Ziegenmeyer, MAI and Noah Kauffman, Research Analyst, provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Appendix of this report for additional information.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



Eric A. Segal, Appraiser
State Certification No.: AG026558 (February 18, 2017)

May 8, 2015
DATE

PROPERTY DESCRIPTION AND HISTORY

The subject properties represent Community Facilities District CFD No. 17 (Willow Hill Pipeline) taxable parcels within the Folsom Plan Area Specific Plan. The subject parcels will serve as the collateral for bonds issued to partially finance, along with a grant, a \$7.6 million rehabilitation of the Willow Hill Pipeline. The boundaries of the CFD No. 17 District include all but the three easternmost parcels within the Folsom Plan Area. According to the CFD map there exists an additional parcel of 6.53 acres in the northwest corner of the District; however, since it is owned by the State of California it is not considered a taxable parcel and not included in the valuation.

The subject's parcels are located in the undeveloped area south of Highway 50, east of Prairie City Road, and North of White Rock Road. This area has been on a development path by the City of Folsom for more than a decade. The Sacramento Local Agency Formation Commission (LAFCo) approved the City's application to include the area in their sphere of influence in 2001 and subsequently approved the City's application to annex the area in 2012. The subject includes 3,348.54± gross acres currently consisting of 31 parcels, owned separately by 16 owners represented by eight ownership entities. Due to soil quality and groundwater limitations the area is not suitable for intensive agricultural production and has historically been used for cattle grazing. The Folsom Plan Area is shown below.



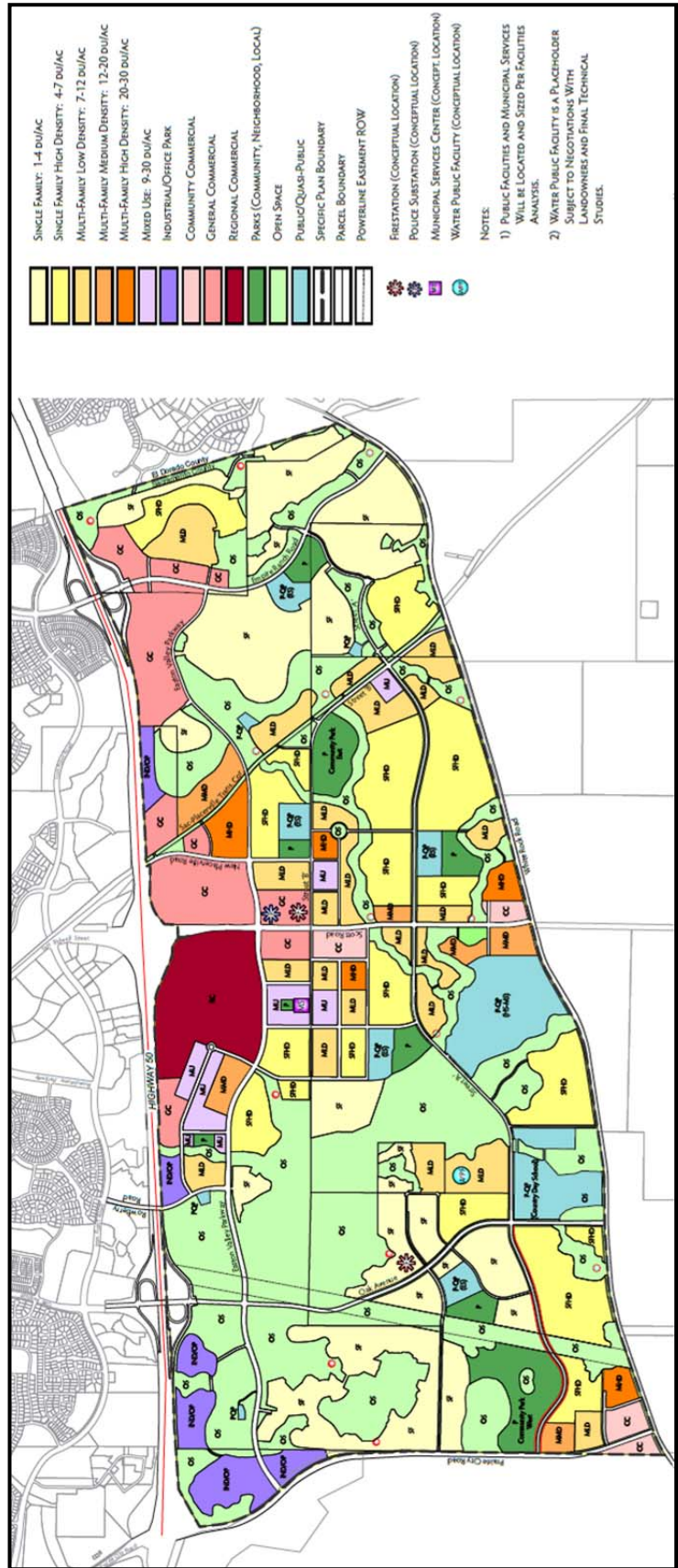
Source: Folsom Plan Area Specific Plan – June 2011

The Folsom Plan Area Specific Plan, adopted by the City in 2011, is a comprehensive plan for community development intended to establish a framework for growth within the plan area. The plan includes principles that support high density, comprehensive communities, with transportation options, with the preservation of open space areas. Of the 3,513.4± acres in the plan area, 1,456.6± acres are planned for residential uses and 511.3± acres for commercial land uses, with a substantial

amount of open space. The plan has a maximum entitlement for 10,210 dwelling units including single family and multifamily developments. Mixed-use development areas are also included in the plan in addition to office park, commercial, and public uses. Development of the plan area, in phases, is expected to take more than a decade.

According to property owners, an overall Backbone Infrastructure Section 404 permit has been obtained for the entire Folsom Plan Area permitting any necessary fill of jurisdictional wetlands and streambed alterations for the construction of backbone infrastructure to serve the entire Folsom Plan Area build out. A Biological Opinion has been obtained from the US Fish and Wildlife Service for the entire Folsom Plan Area. A California Department of Fish and Wildlife Master Streambed Alteration Permit with conditions has been obtained covering every property within the Folsom Plan Area. There is a pending Specific Plan Amendment and Large Lot Final Map application which is anticipated to be scheduled for public hearing in July, 2015. Some individual Section 404 Permits have been obtained.

The following map and table detail the plan boundaries and land uses.



Source: Folsom Plan Area Specific Plan – June 2011

LAND USE SUMMARY								
Land Use	Gross Area (Acres)	% of Site	Density Range (du/ac)	Target DU ¹	Percentage of Allocated Units	Projected Population	Target FAR ²	Potential Bldg. Area (SF)
Single Family (SF)	580.6	16.5%	1.0 - 4.0	1,820	17.8%	5,316		
Single Family High Density (SFHD)	492.0	14.0%	4.0 - 7.0	2,828	27.7%	8,256		
Multi-Family Low Density (MLD)	263.5	7.5%	7.0 - 12.0	2,408	23.6%	4,667		
Multi-Family Medium Density (MMD)	68.5	1.9%	12.0 - 20.0	1,224	12.0%	2,375		
Multi-Family High Density (MHD)	51.0	1.5%	20.0 - 30.0	1,251	12.3%	2,427		
Subtotal Residential	1,455.6	41.4%		9,529	93.3%	23,041		
Mixed Use District (MU) ³	59.1	1.7%	9.0 - 30.0	681	6.7%	1,321	0.20	205,952
Industrial/Office Park (INDI/OP)	89.2	2.5%					0.30	1,165,666
Community Commercial (CC)	39.3	1.1%					0.25	423,621
General Commercial (GC) ^{4&5}	212.9	6.1%					0.25	2,052,765
Regional Commercial (RC)	110.8	3.2%					0.28	1,351,405
Subtotal Commercial/Office	511.3	14.6%		681	6.7%	1,321		5,199,408
Parks - Community West (P)	47.9	1.4%						
Parks - Community East (P)	26.1	0.7%						
Parks - Neighborhood (P)	47.7	1.4%						
Parks - Local (P)	3.4	0.1%						
High School-Middle School (PQP) MS/HS	79.6	2.3%						
Elementary School (PQP) ES	50.9	1.4%						
Country Day School (PQP)	48.7	1.4%						
Potable Water Reservoir Site (PQP)	4.4	0.1%						
Sanitary Sewer Pump Station (PQP)	0.8	0.0%						
Subtotal Parks and Schools	309.5	8.7%						
Open Space (OS)	1,063.3	30.3%						
Proposed Major Circulation	173.6	4.9%						
Folsom Specific Plan Area Total	3,513.4	100%		10,210	100%	24,362		5,199,408

Source: Folsom Plan Area Specific Plan – June 2011

To facilitate development in the area, backbone infrastructure and utilities improvements are needed. The plan calls for the use of community facilities districts (CFDs) in addition to fees and developer funds as the financing mechanisms for the needed infrastructure and facilities improvements. The City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) will be used, in combination with a grant from the Department of Water Resources, to fund a \$7.6 million rehabilitation of the Willow Hill Pipeline. The City has identified that the pipeline, used to divert water from the Folsom Dam/Water Treatment Plant to the Willow Hill Reservoir, has leaks with an estimated loss of nearly one million gallons per day during the peak summer period. The City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline) consists of the taxable parcels in the Folsom Plan Area Specific Plan with the exception of the three easternmost parcels, along the Sacramento / El Dorado County boarder, which obtain water from the El Dorado Irrigation District. According to the CFD map the boundary additionally includes a small parcel in the northwest corner, currently owned by the State of California; however, it is not considered a taxable parcel and not included in the valuation.

The map on the following page notes the boundaries and parcels included in the CFD.



Source: NBS – City of Folsom Community Facilities District No. 17 (Willow Hill Pipeline)

According to public records, the 124.19 acre parcel, 072-0070-006, within the subject boundary, was sold by Folsom White Rock Investors, LLC to Gragg Ranch Recovery Acquisition, LLC on January 13, 2014. Public records report a transfer price of \$10,765,000, or \$86,682 per acre. On May 23, 2013, 430.99 acres within the District's boundary were sold by Russell-Promontory LLC to TNHC Russell Ranch, LLC for \$30,000,000, or \$69,607 per acre. On September 15, 2014, 30.00 acres were sold by Jahanshir Javanifard et al to J & Z Property, LLC for \$4,000,000, or \$133,333 per acre. On March 5, 2015 news agencies reported the pending sale of approximately 703 acres within the subject by Easton Development Company, LLC to Westland Capital Partners L.P. for \$57,000,000, or \$81,081 per acre. Considering the market conditions at the time these sales were negotiated, these prior transfers and pending sale of parcels within the District are considered indicators of portions of the subject's current market value based on a price per acre. These transactions will be further analyzed in the Sales Comparison Approach section. In addition, on April 15, 2015 a small portion within the subject was divided and sold to two existing, neighboring owners. Michele M. Carr and Melissa A. Barron sold 6.748 acres to TNHC Russell Ranch, LLC and sold 14.667 acres to Gragg Ranch Recovery Acquisition, LLC. Based on the transfer taxes paid, the sales prices were \$575,000 or \$85,210 per acre and \$875,000 or \$59,658 per acre, respectively. These two transactions are generally consistent with our concluded values on a per acre basis.

PROPERTY LEGAL DATA

Location

The subject properties are located south of Highway 50, east of Prairie City Road, in the City of Folsom, Sacramento County, California.

Owner(s) of Record

Title to the subject properties is held by the following entities:

Owner	Assessor's Parcel Numbers
Aerojet - Rocketdyne Inc.	072-0060-073, -086, & -087
Arcadian heights, LLC	072-0070-035
Carpenter East, LLC	072-3190-009
Eagle Commercial Partners, LLC	072-3190-001 & -008
Eagle Office Properties, LLC	072-3190-002 & -006
Easton Development Company, LLC	072-0231-140
Easton Valley Holdings, LLC	072-3190-003, -004, & -005
Elliott Homes	072-0270-147
Folsom Real Estate South, LLC	072-0060-076, -077, -079, -080, -081, -082, & -084
Gragg Ranch Recovery Acquisition, LLC	072-0070-006, PTN 072-0060-012
J & Z Property, LLC	072-0060-007
Mangini North Holdings, LLC	072-0060-083
TNHC Russell Ranch, LLC	072-0070-033, 072-0270-138 and PTN 072-0060-012
West Prairie Estate, LLC	072-3190-007
West Scott Road, LLC	072-0060-078
White Rock Land Investors, LLC	072-0060-085

Note: Due to a recent transaction concerning separate portions of parcel 072-0060-012, the parcel number will be replaced by the Assessor's office with separate parcel numbers for the new owners.

Legal Description

A legal description of the subject properties, which would be contained in a preliminary title report, was not provided for use in this analysis.

Property Taxes (*Ad Valorem Taxes*)

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a

procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual inflationary increases cannot exceed 2% per year. The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and supplemental assessments. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the political jurisdiction in which the property is located, can be added to the 1% tax rate.

According to the Sacramento County Tax Collector’s Office, the District parcels are subject to the following taxes (*note additional tax payments or adjustments may be necessary upon re-assessment after sale):

Parcel Number	Assessed Value	Tax Rate Area	Effective Tax Rate	Ad Valorem Taxes	CFD 2013-1 Water Facilities and Supply	SAFCA O&M Assessment #1	Water & Drainage Studies - SCWA 13	Total Taxes
072-0060-087-0000	\$2,057,348	52-032	1.2174%	\$25,046.14	\$114,683.06	\$194.54	\$27.68	\$139,951.42*
072-0060-073-0000	\$788,683	04-035	1.1685%	\$9,215.76	\$24,574.94	\$33.98	\$0.00	\$33,824.68*
072-0060-086-0000	\$50	52-032	1.1600%	\$0.58	\$9,931.46	\$41.14	\$27.68	\$10,000.86*
072-0070-035-0000	\$123,200	04-035	1.1685%	\$1,439.58	\$2,827.20	\$0.00	\$0.00	\$4,266.78
072-3190-009-0000	\$8,814,838	04-036	1.0333%	\$91,082.59	\$42,868.86	\$43.26	\$0.00	\$133,994.71
072-0060-012-0000	\$98,649	04-035	1.1685%	\$1,152.72	\$3,914.60	\$7.74	\$0.00	\$5,075.06*
072-3190-001-0000	\$4,339,612	04-036	0.8199%	\$35,581.27	\$39,580.88	\$61.30	\$0.00	\$75,223.45
072-3190-008-0000	\$2,591,713	04-036	0.8117%	\$21,036.42	\$23,850.02	\$36.60	\$0.00	\$44,923.04
072-3190-002-0000	\$401,816	04-036	1.1251%	\$4,520.90	\$3,552.12	\$17.00	\$0.00	\$8,090.02
072-3190-006-0000	\$582,633	04-036	1.1251%	\$6,555.30	\$10,656.38	\$24.60	\$0.00	\$17,236.28
072-0231-140-0000	\$42,348	04-036	1.1685%	\$494.84	\$16,165.82	\$409.50	\$0.00	\$17,070.16*
072-3190-003-0000	\$4,520,430	04-036	1.1241%	\$50,813.55	\$25,444.86	\$29.02	\$0.00	\$76,287.43
072-3190-004-0000	\$4,419,976	04-036	1.1241%	\$49,683.46	\$20,297.88	\$25.26	\$0.00	\$70,006.60
072-3190-005-0000	\$3,807,206	04-036	1.1246%	\$42,815.19	\$13,846.06	\$90.18	\$0.00	\$56,751.43
072-0270-147-0000	\$1,270,000	04-036	1.1685%	\$14,839.94	\$5,799.38	\$15.76	\$0.00	\$20,655.08
072-0060-076-0000	\$9,040,860	04-035	1.1685%	\$105,642.44	\$10,003.96	\$71.74	\$0.00	\$115,718.14
072-0060-077-0000	\$7,031,780	04-035	1.1685%	\$82,166.34	\$38,783.46	\$238.84	\$0.00	\$121,188.64
072-0060-079-0000	\$6,429,056	04-035	1.1685%	\$75,123.52	\$11,671.28	\$223.20	\$0.00	\$87,018.00
072-0060-080-0000	\$2,762,485	04-035	1.1685%	\$32,279.62	\$18,050.62	\$94.98	\$0.00	\$50,425.22
072-0060-081-0000	\$4,922,246	04-035	1.1685%	\$57,516.44	\$19,645.44	\$338.16	\$0.00	\$77,500.04
072-0060-082-0000	\$2,913,166	04-035	1.1685%	\$34,040.34	\$15,078.42	\$203.50	\$0.00	\$49,322.26
072-0060-084-0000	\$2,461,123	04-035	1.1685%	\$28,758.22	\$14,353.50	\$169.46	\$0.00	\$43,281.18
072-0070-006-0000	\$1,035,000	04-036	1.1685%	\$12,093.98	\$35,956.26	\$459.52	\$0.00	\$48,509.76*
072-0060-007-0000	\$676,067	04-035	1.1685%	\$7,899.84	\$8,626.60	\$111.00	\$0.00	\$16,637.44*
072-0060-083-0000	\$8,890,179	04-035	1.1685%	\$103,881.74	\$36,246.22	\$383.86	\$0.00	\$140,511.82
072-0070-033-0000	\$1,510,974	04-036	1.1685%	\$17,655.72	\$90,180.62	\$160.32	\$0.00	\$107,996.66
072-0270-138-0000	\$717,648	04-036	1.1685%	\$8,385.70	\$15,513.38	\$239.96	\$0.00	\$24,139.04
072-3190-007-0000	\$5,424,516	04-036	1.1244%	\$60,995.49	\$39,073.44	\$101.74	\$0.00	\$100,170.67
072-0060-078-0000	\$5,926,786	04-035	1.1685%	\$69,254.50	\$20,297.88	\$134.42	\$0.00	\$89,686.80
072-0060-085-0000	\$8,890,179	04-035	1.1685%	\$103,881.74	\$35,811.28	\$454.64	\$0.00	\$140,147.66

In addition to Ad Valorem and other charges the subject parcels are subject to direct levy number 0115, the CFD 2013-1 Water Facilities and Supply. According to the County’s website, “this levy is a Mello-Roos Special Tax to satisfy FPA landowners' water supply financial obligations as memorialized in the Water Supply Agreement and fund ongoing FPA water supply costs, water facilities costs and ongoing CFD administrative costs.” According to the City of Folsom’s online

resources, this special tax will be levied annually in perpetuity; however, not every component of the special tax will be levied each year against every parcel in the District. The components of the special tax include: an “Initial Tax” component, which is a one-time tax upon each parcel, a “Water Facilities Annual Tax” component, which will not be levied subsequent to Fiscal Year 2023-2024, and a “Water Supply Annual Tax” component, which will not be levied against a parcel that has been designated a “metered” parcel.

Although not yet listed on the subject parcel’s tax bills, a direct levy to be used for the subject CFD No. 17 (Willow Hill Pipeline) Bond repayment will occur. Existing taxes on subject parcels are expected to be adjusted as the properties are developed. Further, as part of the development, land secured bond financing (Community Facilities District or Assessment District) is anticipated to be used to facilitate the completion of infrastructure improvements.

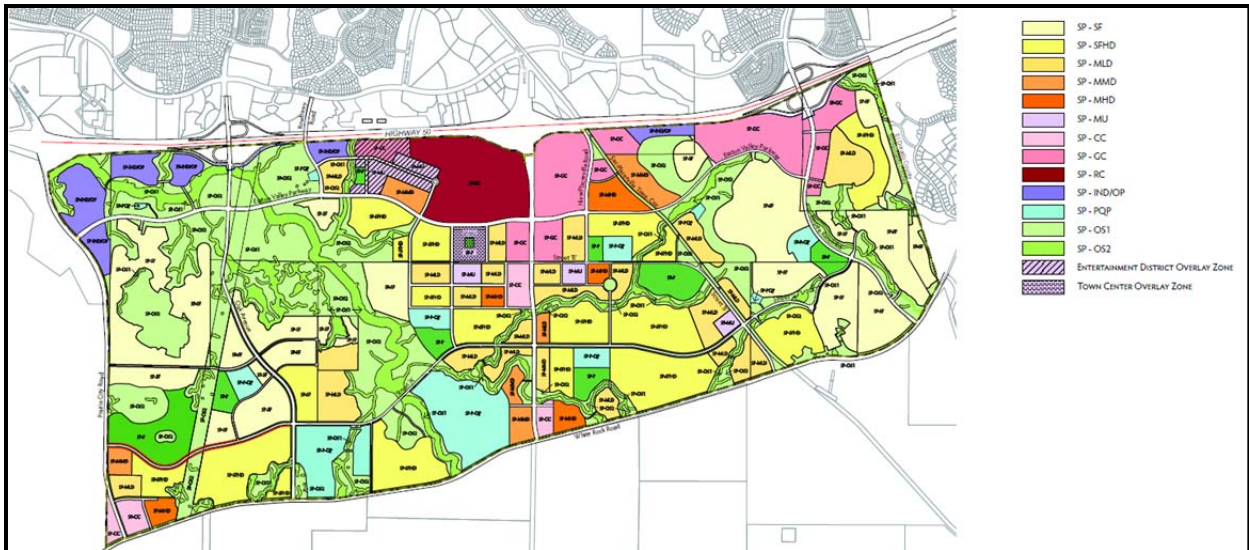
Conditions of Title

A preliminary title report was not provided for this analysis. It is assumed there are no adverse conditions on title. The appraiser assumes no negative title restrictions and accepts no responsibility for matters pertaining to title.

Zoning and Entitlements

The subject properties are located south of Highway 50 in a currently undeveloped area within the City of Folsom. The Folsom Plan Area Specific Plan includes zoning for 1,456.6 acres of residential development; 511.3 acres of commercial space including retail, industrial/office, and mixed use space; in addition more than 1,300 acres of parks, schools, and open space are included in the plan. The plan has a maximum entitlement for 10,210 dwelling units including single family and multifamily developments.

The following map details the Area Specific Plan zoning.



Source: Folsom Plan Area Specific Plan – June 2011

Flood Zone

According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM), the subject is located within Zone X (areas outside of the 2% annual chance flood plain), as reflected by FEMA map panels 060262-0119H, 0140H, 0275H, and 0250H (dated August 16, 2012).

Earthquake Zone

According to the Seismic Safety Commission, the subject properties are located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is not located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

Easements

An inspection of the subject properties revealed power lines and radio towers on some parcels, suggesting the likelihood of existing easements. Due to the fact that the area’s development will include infrastructure improvements it is unlikely that the easements would represent a negative impact on value as potential impacts would be managed during development. Please refer to a preliminary title report for information regarding potential easements, as the appraiser is not a surveyor nor qualified to determine the exact location of any easements. It is assumed that any easements noted in a preliminary title report do not have an impact on the opinion of value set forth in this report. If at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value contained herein.

SITE DESCRIPTION

Subject: The City of Folsom Community Facilities District (CFD) No. 17 (Willow Hill Pipeline) contains the taxable parcels in the Folsom Plan Area Specific Plan, with the exception of the three easternmost parcels along the Sacramento / El Dorado County boarder. The subject contains approximately 3,348.54± total acres of land.

Land Area:

APN	Gross Acres
072-0060-073, -086, & -087	634.87
072-0070-035	12.99
072-3190-009	101.86
072-0060-012	0.00
072-3190-001 & -008	230.48
072-3190-002 & -006	97.96
072-0231-140	73.78
072-3190-003, -004, & -005	340.09
072-0270-147	37.08
072-0070-001, -023, & 072-0270-028	0.00
072-0060-076, -077, -079, -080, -081, -082, & -084	662.58
072-0070-006, PTN 072-0060-012	138.86
072-0060-007	30.00
072-0060-083	103.74
072-0070-033, 072-0270-138 and PTN 072-0060-012	449.09
072-3190-007	239.53
072-0060-078	72.76
072-0060-085	122.87
Total:	3,348.54

Note: Parcel sizes were obtained from county sources except for PTN 072-0060-012 where land surveys were used from recorded deeds as county information is not yet available.

Topography: The topography of the District varies from generally level to rolling and undulating terrain.

Shape: The various parcels comprising the District are irregular yet functional in shape.

Access, Frontage, Visibility: The District’s primary access, frontage and visibility are from Highway 50, White Rock Road, Prairie City Road, and Scott Road. Highway 50 is the primary transportation route in the neighborhood. Overall, the accessibility and visibility is considered good for the area.

Utilities: Public utilities, including electricity, water, sewer, and telephone service, are primarily situated north of U.S.

Highway 50 and, as part of the completion of backbone infrastructure and development of the FPASP, will be extended throughout the Folsom plan area. It is anticipated multiple financing sources will be utilized to aid in the completion of all necessary utility infrastructure.

Drainage:

It is assumed each of the subject's components will have adequate drainage as part of suburban development.

Soils:

The appraiser has not been provided a soils report to determine the load bearing capacity of the subject properties. The soils appear to be similar to other local parcels within the Folsom area that, to the best of our knowledge, have been improved with no adverse effects.

Environmental Issues:

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the properties. Furthermore, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the properties.

It is noted the westernmost portion of the subject is located in close proximity to the Aerojet General Corp. Superfund Site listed by the U.S. Environmental Protection Agency and reportedly a portion of the subject may be within the superfund site. Maps available on the U.S. Environmental Protection Agency website note groundwater contamination within the boundary of the District, located near the southwest corner. This groundwater contamination is not likely to affect the properties' value as the area is planned primarily for open space and parks and water for use at the subject will not be obtained from this groundwater.

No responsibility is assumed for any adverse environmental conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field if desired. If, at some future date, items are discovered that are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinions of value stated herein.

On-Site Improvements:

The subject properties primarily consist of vacant land with minimal improvements on some of the properties that include radio towers and a rural residence. The perimeter of the subject is fenced.

Site Utility:

The subject properties appear functional in terms of size, topography, shape and overall location.

Conclusion:

Overall, the subject is considered physically suitable for development and comprises a reasonable growth area for the City of Folsom's future residential and commercial development.

SUBJECT PHOTOGRAPHS



Northern central portion of the District, facing west along Highway 50



Central portion of the District, facing west



Central portion of the District, facing south along Scott Road



Southeastern portion of the District, facing north along Placerville Road



Southern portion of the District, facing northeast



Southern portion of the District, facing east along White Rock Road



Southern portion of the District, facing west along White Rock Road



Southwestern portion of the District, facing north



Southwestern portion of the District, facing east along White Rock Road



Southwestern portion of the District, facing west along White Rock Road



Northwestern corner of the District, facing south along Prairie City Road



Northwestern corner of the District, facing southeast.

POPULATION TRENDS - SACRAMENTO MSA							
County	2009	2010	2011	2012	2013	2014	%/Yr
Sacramento	1,406,168	1,417,259	1,427,961	1,433,510	1,442,752	1,454,406	0.7%
Placer	340,995	347,133	351,463	355,450	360,802	366,115	1.5%
El Dorado	179,150	180,682	180,483	181,711	181,997	182,404	0.4%
Yolo	<u>198,642</u>	<u>200,484</u>	<u>201,071</u>	<u>204,343</u>	<u>204,953</u>	<u>206,381</u>	<u>0.8%</u>
Total	2,124,955	2,145,558	2,160,978	2,175,014	2,190,504	2,209,306	0.8%

Source: California Department of Finance

Placer County has led the region with growth of 1.5% per year over the past five years. Most of this growth has occurred in the cities of Roseville, Rocklin and Lincoln. Much of the region’s growth is attributed to in-migration of residents from other California and U.S. areas.

The population in the region is expected to continue growing. According to the California Department of Finance, the population in the Sacramento MSA is projected to increase to about 2.84 million by 2030 and 3.57 million by 2050. The region’s growth is expected to outpace the growth of most other metropolitan areas in California, as well as the state as a whole.

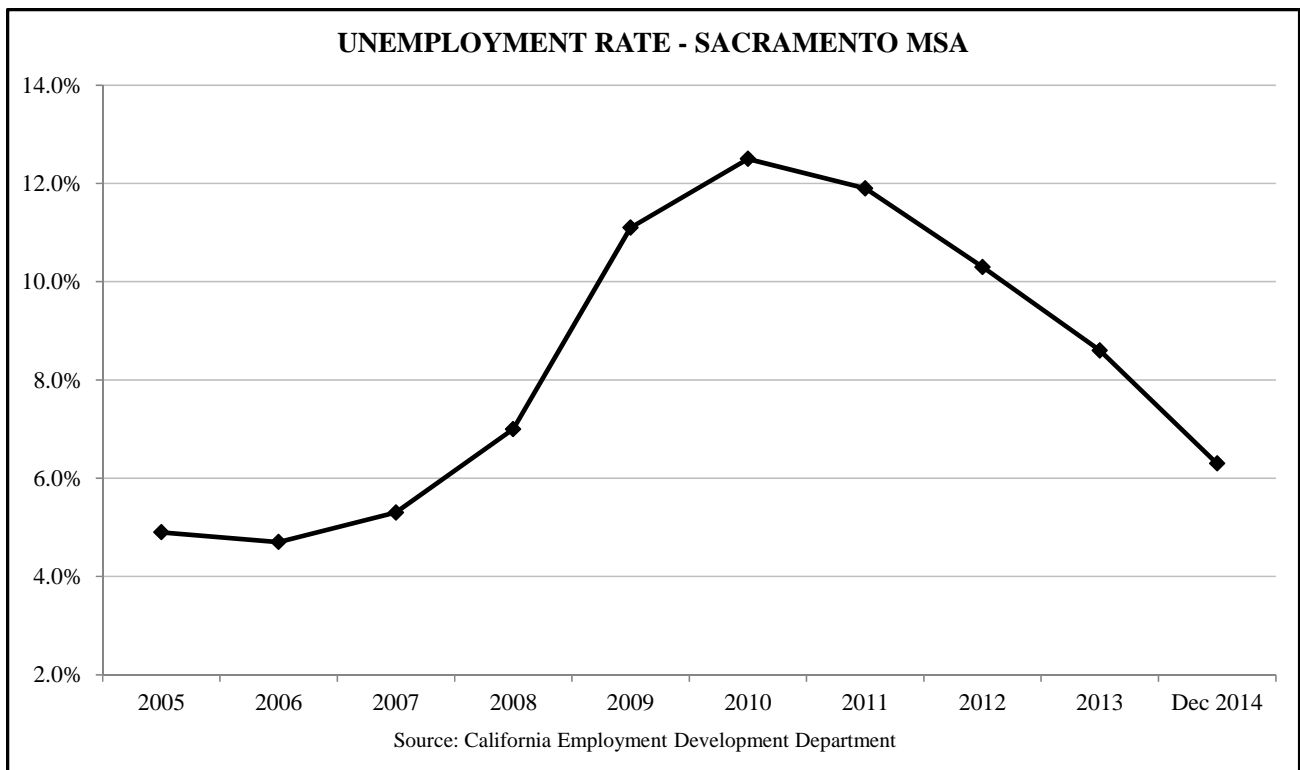
Employment & Economy

Historically, the Sacramento region has been one of the more stable employment centers in California, with a significant number of jobs in State government. The California Employment Development Department has reported the following employment data for the Sacramento MSA over the past few years.

EMPLOYMENT TRENDS - SACRAMENTO MSA						
	2009	2010	2011	2012	2013	Dec. 2014
Labor Force	1,052,100	1,053,000	1,047,800	1,051,600	1,046,600	1,046,700
Employment	935,300	921,800	923,600	942,900	956,400	980,600
Job Growth	(37,900)	(13,500)	1,800	19,300	13,500	24,200
Unemployment Rate	11.1%	12.5%	11.9%	10.3%	8.6%	6.3%

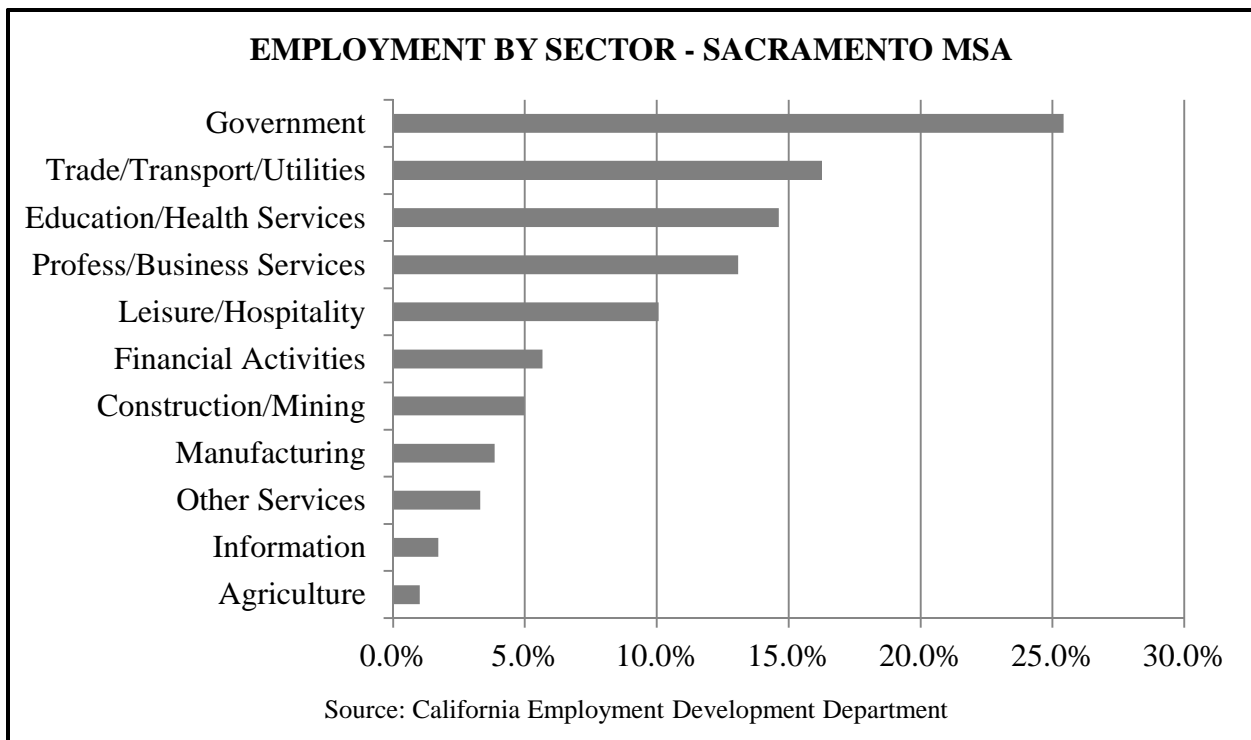
Source: California Employment Development Department

The unemployment rate in the four-county region was 6.7% in January 2015, which compares to rates of 6.9% for California and 5.7% for the U.S. For most areas within the state and nation, including the Sacramento MSA, unemployment declined from 2004 through 2006, increased from 2007 to 2010, and declined during 2011-2014.



The region experienced a significant decline in jobs in 2009, but the rate of decline moderated in 2010, and job growth was positive in each year from 2011 through 2014. In the one-year period ending in January 2015, the region gained 24,800 jobs, which equates to a job growth rate of 2.8%. Employment conditions should continue to slowly improve over the next few years.

The local economy has transitioned from a government and agricultural center to a more diverse economy. Growing industries in the region include healthcare, technology, clean energy and life sciences. The region is a western hub for data processing, customer call centers and other corporate back office support activities. The following chart indicates the percentage of total employment for each sector within the region.



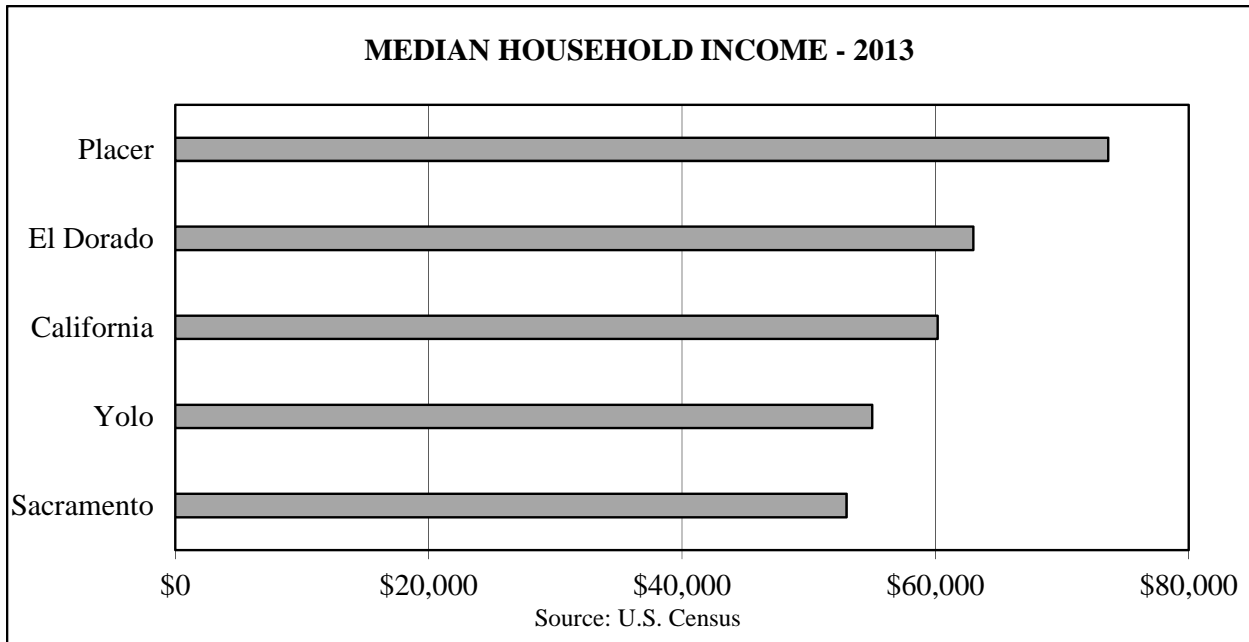
As can be seen in the chart above, the region’s largest employment sectors are Government, Trade/Transportation/Utilities (including retail and wholesale trade), Education and Health Services, and Professional and Business Services. Government jobs account for about 25% of total employment in the region. This percentage has declined only slightly in the past couple of decades – government employment was about 30% of the total in 1990. The region’s 10 largest employers are listed in the following table (based on the number of employees in the four-county region).

LARGEST EMPLOYERS - SACRAMENTO MSA			
	Company	Industry	Employees
1	State of California	Government	76,557
2	U.S. Government	Government	12,888
3	University of California Davis	University	12,639
4	Sacramento County	Government	10,700
5	Sutter Health	Healthcare	10,431
6	UC Davis Health System	Healthcare	9,905
7	Kaiser Permanente	Healthcare	8,845
8	Dignity Health (formerly Mercy)	Healthcare	7,020
9	Intel Corp.	Semiconductors	6,000
10	Raley's Inc.	Retail Grocery	5,456

Source: Sacramento Business Journal, Book of Lists 2014

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The following chart shows income for each county in the region, as well as the state of California, for the year 2013 (most recent available).



As indicated in the chart above, Placer and El Dorado Counties exhibit the highest income levels in the region. Household incomes in these counties are among the highest in California.

Transportation

A significant strategic advantage of the Sacramento region is its proximity to large markets and its transportation accessibility to these markets provided by extensive highway, rail, water and air systems.

The Sacramento region has over 800 miles of maintained state highways. The hub of freeways in the region makes the Sacramento Area a good center for freight distribution. U.S. Highway 50, Interstate 80, and the Capital City Freeway are the principal routes for commuters living in the densely populated eastern suburbs. Commuters from the north and south of Sacramento travel on Interstate 5 and State Highway 99. State Highways 65 and 70 link Placer County to Yuba and Sutter Counties to the north. Interstate 5 provides a direct route to Redding, Oregon and Washington to the north and

Los Angeles to the south. Interstate 80 permits travel to Nevada and Utah to the east and the San Francisco Bay Area to the west. Lake Tahoe and Nevada are reachable within a couple hours on U.S. Highway 50, which originates in Sacramento. State Highway 99 provides access to the San Joaquin and upper Sacramento Valleys.

The main public transit system in the Sacramento Area is operated by Sacramento Regional Transit (RT), with additional service provided by other local public and private transit operators. Regional Transit covers a 418-square-mile service area that is serviced by 182 buses and 76 light rail vehicles, transporting over 31.5 million passengers annually. Light Rail began operation in 1987 along a two-pronged route linking Downtown Sacramento with populous suburbs to the east and north. In 2003 and 2004, RT completed extensions to the Meadowview area in South Sacramento and Sunrise Boulevard in Rancho Cordova to the east. In 2005, an eastward extension to the city of Folsom was completed.

The Sacramento region has access to a number of railroads. The north-south and east-west main lines of the Union Pacific Railroad intersect in Sacramento and, as a result of the merger of Union Pacific and Southern Pacific in 1996, Sacramento has access to the Burlington Northern Santa Fe Railway. Union Pacific's major freight classification facility for Northern California, Nevada and Oregon is located in Roseville (Placer County). Amtrak provides daily passenger service in all directions from Sacramento. The Capital Corridor system provides high-speed commuter rail service from Roseville to San Jose.

The region has good water transportation capabilities. The Port of Sacramento is a deep-water port located 79 miles northeast of San Francisco in the city of West Sacramento, serving ocean-going vessels handling a variety of cargo types. The 30-foot depth of the channel, along with extensive rail and truck cargo handling facilities, make the Port highly productive for long distance shipping. The Port is equipped for handling bulk cargo and a number of agricultural and forest products.

Finally, the region includes several air transport facilities. Most notably, Sacramento International Airport is served by 11 passenger carriers and numerous cargo carriers. Major expansions of the terminals and parking facilities were completed between 2004 and 2012. Each year, about 9 million passengers travel through Sacramento International. The region is also served by Sacramento Executive Airport, Lincoln Regional Airport, McClellan Airfield, Mather Airport (the latter two being former Air Force Bases), and several smaller airports and airfields.

Recreation & Culture

The Sacramento region offers innumerable recreational and cultural opportunities. The American River Parkway offers 5,000 acres of recreation area along both sides of the river for 30 miles, with

Folsom Lake situated at the eastern end. The Sacramento-San Joaquin Delta has over 1,000 miles of waterways. The rivers and lakes within the Sacramento Area offer boating, fishing and water-skiing opportunities. In addition, numerous parks and golf courses are located throughout the region. Professional sports teams in Sacramento include an NBA team (the Kings) and a Triple-A minor league baseball team (the River Cats).

Cultural attractions in the region include the Old Sacramento Historic District, California State Railroad Museum, Crocker Art Museum, Historic Governor's Mansion, Sutter's Fort State Historic Park and Sacramento Zoo. Sacramento is home to several theaters and performing arts centers offering world-class shows. Annual events in Sacramento include the California State Fair, the Music Circus and the Sacramento Jazz Jubilee.

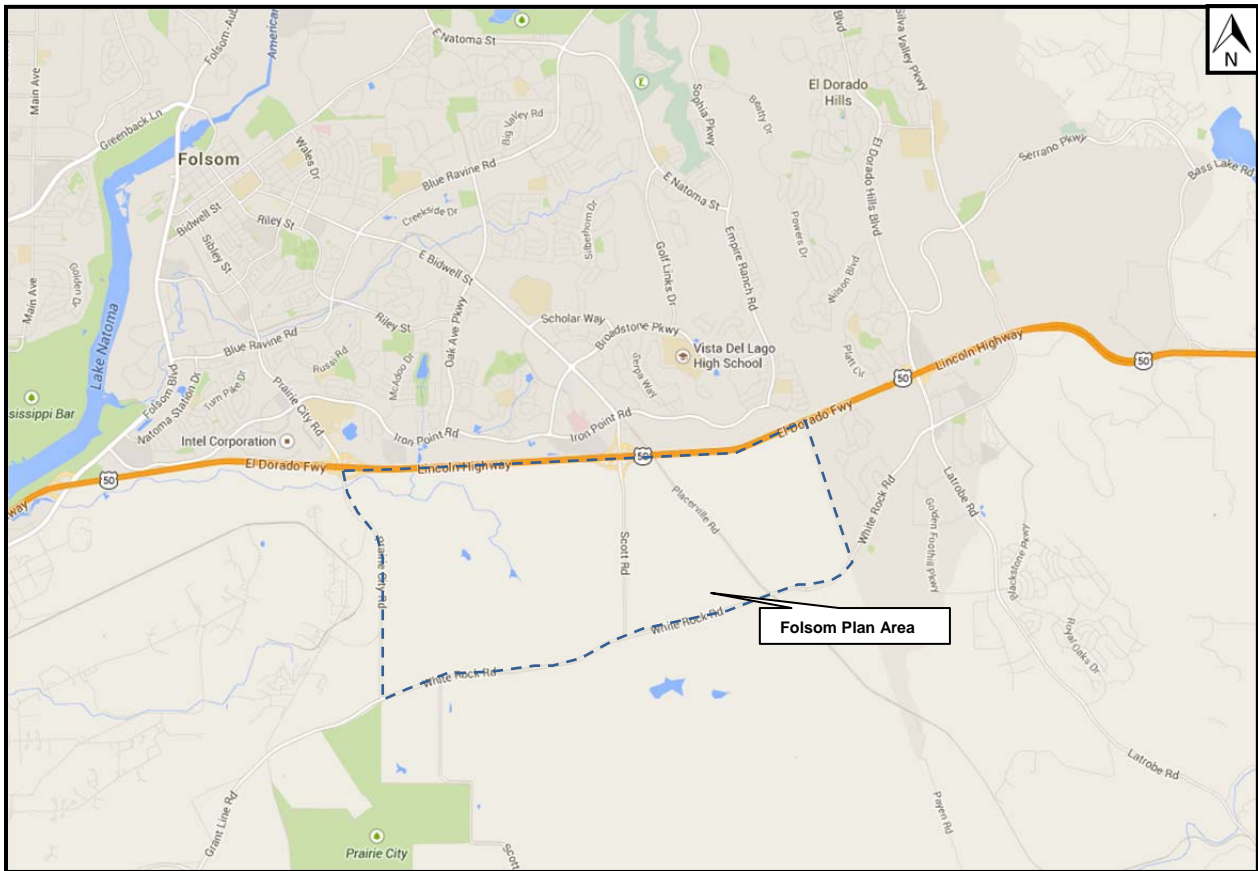
In terms of higher education, the region's largest universities are the University of California Davis and Sacramento State University. Six community colleges are located in the region, including Sierra College, American River, Cosumnes River, Folsom Lake, Sacramento City and Woodland Community College. Several private colleges are located in the area, as well as satellite campuses of colleges headquartered elsewhere. The region also contains numerous vocational schools.

Other recreational and cultural opportunities are available within a short drive of the Sacramento area. To the west are the San Francisco Bay Area, the Napa Valley wine country, the coastal redwood forests, and the beaches of the Pacific Ocean. To the east are Lake Tahoe and the Sierra Nevada Mountains, which are home to more than a dozen snow-skiing resorts. Legalized casino gambling is available in Nevada, as well as several tribal casinos in the Sacramento region.

Conclusion

The Sacramento region is the fourth-largest metropolitan area in California, and has seen moderate population growth of about 0.8% per year over the past five years. Between 2004 and 2006, the regional economy expanded rapidly with large gains in the housing market and relatively strong job growth. However, the housing market began a rapid decline in late 2005, and most sectors of the commercial real estate market began to deteriorate in 2007. Like most metropolitan areas in the state and nation, the Sacramento region experienced high unemployment and real estate market declines during the period of roughly 2008-2010. However, employment conditions have been improving since 2011 and most real estate sectors are showing signs of recovery or expansion. As the economy continues to improve, the long-term outlook for the region is good. The area's advantages include a diverse economy, mild climate, seismic stability, ample recreational and cultural opportunities, and expansive transportation systems. Further, the region offers greater affordability than the Bay Area and Southern California.

NEIGHBORHOOD



Source: Google Maps

Introduction

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as “a group of complementary land uses; a congruous grouping of inhabitants, buildings or business enterprises.”³

Neighborhood Boundaries

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

³ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 133.

The subject properties are located in the southern part of the city of Folsom and at 3,348.54 acres represent the majority of the Folsom Plan Area (3,513.4 acres). The Plan Area is bounded on the north by Highway 50, White Rock Road to the south, Prairie City Road to the west, and the Sacramento/El Dorado County line to the east. The larger neighborhood influencing the subject is considered to be approximately Folsom Boulevard/Nimbus Road/Aerojet Road to the west, White Rock Road to the south, Latrobe Road/El Dorado Hills Boulevard to the east, and the American River/Folsom Lake to the north. The neighborhood is primarily the city of Folsom, but includes portions of the city of Rancho Cordova and the community of El Dorado Hills.

Demographics

As indicated above, most of the subject neighborhood lies within the city of Folsom. According to the California Department of Finance, Folsom’s population reached 74,014 people in 2014 and has grown by 1.5% per year over the past 10 years (2004-2014). In the table below, demographic data are presented for Folsom as well as the neighboring communities of El Dorado Hills and Rancho Cordova, based on information from the U.S. Census Bureau (2014 data not yet available).

	Folsom	El Dorado Hills	Rancho Cordova
Population 2013	73,098	N/A	67,911
Population 2010	72,199	42,108	64,805
Population Growth 2010-2013	1.2%	N/A	4.8%
Persons per Household	2.62	3.02	2.78
Homeownership Rate	68.8%	85.5%	55.8%
% Bachelors Degree or Higher	44.7%	52.4%	25.4%
Median Household Income	\$98,359	\$119,025	\$52,152

Source: U.S. Census Bureau

Folsom’s homeownership rate of 68.8% is much higher than California’s rate of 55.3%. Folsom’s median household income level of \$98,359 is also significantly higher than California’s median of \$61,094. Folsom can generally be described as an upper-income and well-educated community compared to the state.

Transportation

The subject properties are located along U.S. Highway 50, White Rock Road and Prairie City Road. White Rock Road is a major east-west thoroughfare, connecting with El Dorado Hills (El Dorado County) to the east and the city of Rancho Cordova (Sacramento County) to the west. Prairie City Road is a major north-south route that extends north past Highway 50 and into the northern part of Folsom. Scott Road is another major north-south thoroughfare within the subject’s boundaries. Highway 50 is one of two main east-west routes in Sacramento, along with Interstate 80. To the east,

it provides access to El Dorado County, various foothills communities, the Sierra Nevada Mountains and Lake Tahoe. To the west, Highway 50 is the principal route to Sacramento's Central Business District and other major freeways (less than 20 miles to the west).

Several new roads are proposed within the Folsom Plan Area. One component of the Plan Area circulation system is a dedicated transit corridor that will run the breadth of the Plan Area from Prairie City Road at the western boundary to the intersection of White Rock Road and Placerville Road at the southern boundary.

This corridor will connect with the regional transit network envisioned by the Sacramento Regional Transit District and provide future high-speed transit travel between the Plan Area and areas throughout the region.

Land Uses

The following Google map/satellite image shows existing land uses around the subject properties.



To the south and west of the subject, existing land uses include mostly agricultural/grazing land and rolling pastures. To the east is the southern part of the community of El Dorado Hills, which

includes office/light industrial parks, residential uses, and some commercial uses. To the north, north of Highway 50, is the city of Folsom. About three miles to the west is the headquarters of Aerojet Rocketdyne, owned by GenCorp, which manufactures aerospace and defense products.

The Folsom Plan Area Specific Plan outlines the planned development of the subject as follows: 10,210 residential units, over 500 acres of commercial/office development, over 300 acres of schools and parks, and more than 1,000 acres of open space. The plan includes a broad range of residential types including single-family detached homes, duplexes and patio homes as well as a range of multi-family residential housing types including townhomes, apartments, condominiums and live/work studios. Full build-out of the plan area is expected to take two decades or more, depending on market demand. A central feature of the Plan Area is the mixed-use town and neighborhood centers that form the foundation for walkable neighborhoods and reduced automobile use.

Folsom is a suburb of the greater Sacramento Metropolitan Area, and continues to expand based on the growth of the Sacramento area. Land uses in the city are varied and include business and professional offices, multi- and single-family residential projects, strip commercial, community shopping centers and vacant land. Prominent land uses in the city include Folsom Lake, the American River, Folsom State Prison, the Intel Corporation campus, a city zoo, museums, a public library, a state campground, and a Historic Downtown district. Folsom contains numerous neighborhood shopping centers, as well as large regional/power centers, most of which are located near Highway 50 and East Bidwell Street, including the newer Palladio center. North of Highway 50 along Folsom Boulevard, major developments include a multi-screen movie theater and an outlet mall, the Folsom Premium Outlets. South of Highway 50, several auto dealerships are located along Folsom Boulevard in the Folsom Automall.

The Folsom area contains several office parks and large professional office buildings. Many of the newer buildings are located along East Bidwell Street in the eastern part of the city. Office development is also prevalent in the Folsom Boulevard/Blue Ravine Road area. The largest single office user in Folsom, and the largest employer in the city, is Intel Corporation, with a multi-building campus located along Iron Point Road and Highway 50.

Directly east of the subject is the community of El Dorado Hills, generally considered an affluent community that attracts move-up buyers. South of Highway 50, development includes office/light industrial parks in the western part of the town and newer residential development in the eastern part. The largest office user and largest private employer in El Dorado Hills is Blue Shield of California. A community shopping center, the El Dorado Hills Town Center, is located near Highway 50. North of the highway, development in El Dorado Hills is mostly residential and includes production and custom homes as well as the Serrano Country Club and golf course.

The city of Rancho Cordova is situated just west of the subject. This city contains a significant amount of office development as well as residential neighborhoods and supporting commercial uses. Most of the office and light industrial parks are located south of Highway 50. Rancho Cordova is the largest office submarket in the Sacramento region in terms of rentable square feet and features many nationally recognized companies and regional/nation headquarters. Prominent office tenants include the State of California, Sprint, Heald College, WebEx, University of Phoenix, EDS, Bank of America, Vision Service Plan, and a number of insurance and data processing businesses. Mather Airport is one of the major land uses in the area south of Highway 50. This airport was formerly a U.S. Air Force Base, but has transitioned into a commercial freight facility used by Emery Worldwide, Airborne Express, United Parcel Service, BAX Global and other airfreight companies. In terms of residential uses, most of Rancho Cordova's established neighborhoods are situated north of Highway 50, while the newer subdivisions are located south of Highway 50. In the North Douglas area, part of the SunRidge Specific Plan, 663 lots east of the Sunrise Boulevard/ Douglas Road intersection are ready to be built on, with infrastructure such as sewer, streetlights and roads already in place. Another project, Cordova Hills, is a 2,700-acre master plan project in southeast Rancho Cordova that is currently working on infrastructure costs and federal permits.

About 11 miles south of the subject is Rancho Murieta, an affluent gated community of about 2,500 homes situated around two 18-hole golf courses. While outside the defined neighborhood boundaries, it is important to note this area because it is also planned for significant future development. The Rancho Murieta Community Services District (CFD No. 2014-1) contains 827.8 acres planned for residential uses, commercial uses and open space. Phase I would include 484 residential lots, with another 455 planned for Phase II.

Recreation & Community Services

Folsom is well served by community facilities, including a city zoo, a city park, two museums (The Folsom History Museum and the Folsom Prison Museum), a public library, a state campground and recreation areas. Folsom Lake, Lake Natoma and the American River offer fishing, hiking and biking trails, boating and other recreational activities. Folsom Lake draws more than 4 million visitors a year, according to the California Department of Parks and Recreation. In the downtown area, the City recently completed a multi-level parking structure, public plaza and landscaped amphitheatre.

The city of Folsom is home to nearly a dozen elementary schools, two middle schools, two high schools and one two-year community college, Folsom Lake College. The Harris Center for the Arts is located at Folsom Lake College and draws thousands of visitors each year. Folsom has one hospital, the 106-bed Mercy Hospital of Folsom, located at the northeast corner of East Bidwell

Street and Creekside Drive. In addition, Kaiser Permanente has a large outpatient medical office facility on Iron Point Road.

Conclusion

The subject is located just south of the established areas of Folsom, and between the communities of Rancho Cordova and El Dorado Hills. All three of these represent growing suburban areas within the Sacramento region. The subject has excellent access to Highway 50 and other primary thoroughfares. Folsom exhibits a high-income and well-educated population with many nearby employment centers and a reasonable commute to additional employment opportunities in Sacramento. Overall, Folsom is considered one of the more desirable submarkets within the Sacramento region. The characteristics of the neighborhood relative to other locales in the region are favorable, and steady residential demand is projected over the long term.

RESIDENTIAL MARKET

Introduction

The subject properties are situated in eastern Sacramento County in the southern part of the city of Folsom, just east of the city of Rancho Cordova and just west of the community of El Dorado Hills. In this housing analysis, we will look at market trends within these three areas – Folsom, El Dorado Hills and Rancho Cordova.

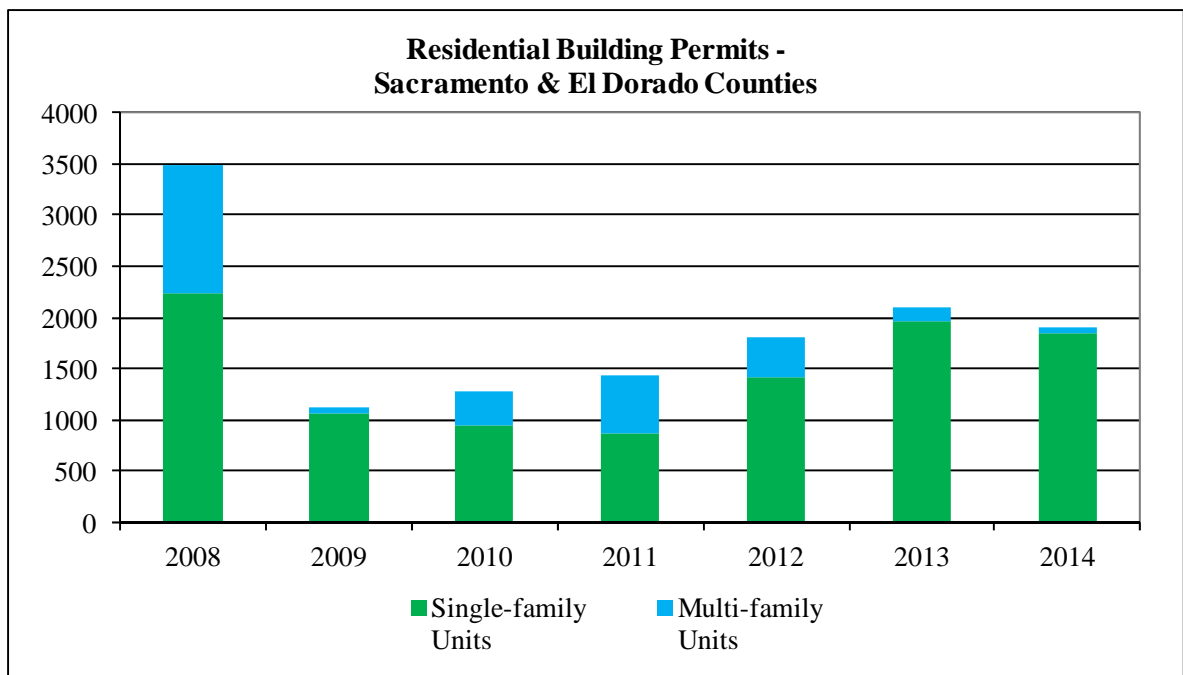
Building Permits

The following table and chart show recent building permit activity for residential properties. Data was not available for the unincorporated community of El Dorado Hills, so we have analyzed data at the county level for Sacramento and El Dorado Counties. Permit activity increased in each year between 2009 and 2013, with a slight decline seen in year 2014, although it is noted the figures for year 2014 are still preliminary. In the past three years, the vast majority of new permits have been for single-family homes as opposed to units within multi-family projects.

Residential Building Permits – Sacramento & El Dorado Counties

Year	Single-family Units	Multi-family Units	Total Units
2008	2,235	1,243	3,478
2009	1,067	56	1,123
2010	942	340	1,282
2011	878	549	1,427
2012	1,413	394	1,807
2013	1,968	139	2,107
2014	1,847	53	1,900

Source: SOCDS Database. 2014 figures are preliminary.



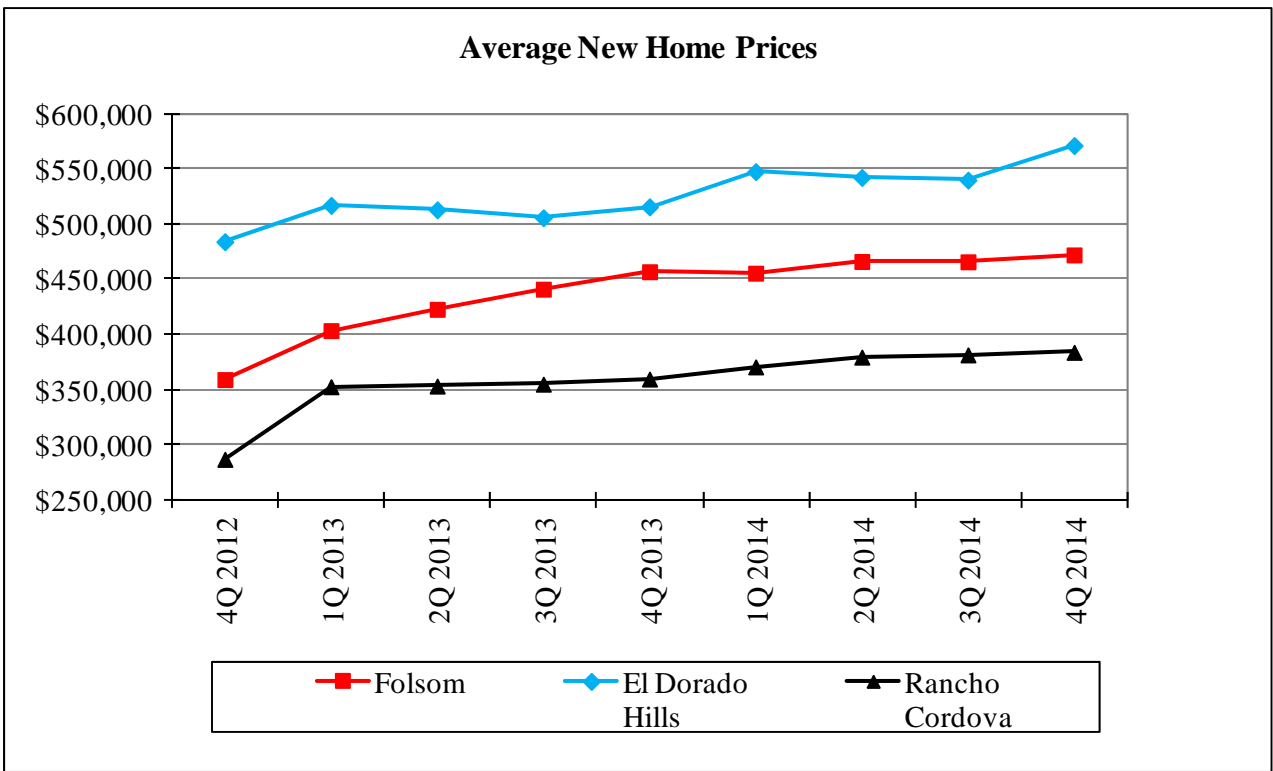
Source: SOCDs Database. 2014 figures are preliminary.

New Home Pricing and Sales Activity

The Gregory Group surveys active new home projects in California and Nevada. The table below and the accompanying chart on the following page depict recent price trends among active single-family residential projects in the subject's defined market area. This data includes both attached and detached projects, but the majority of units are detached homes.

Average New Home Prices

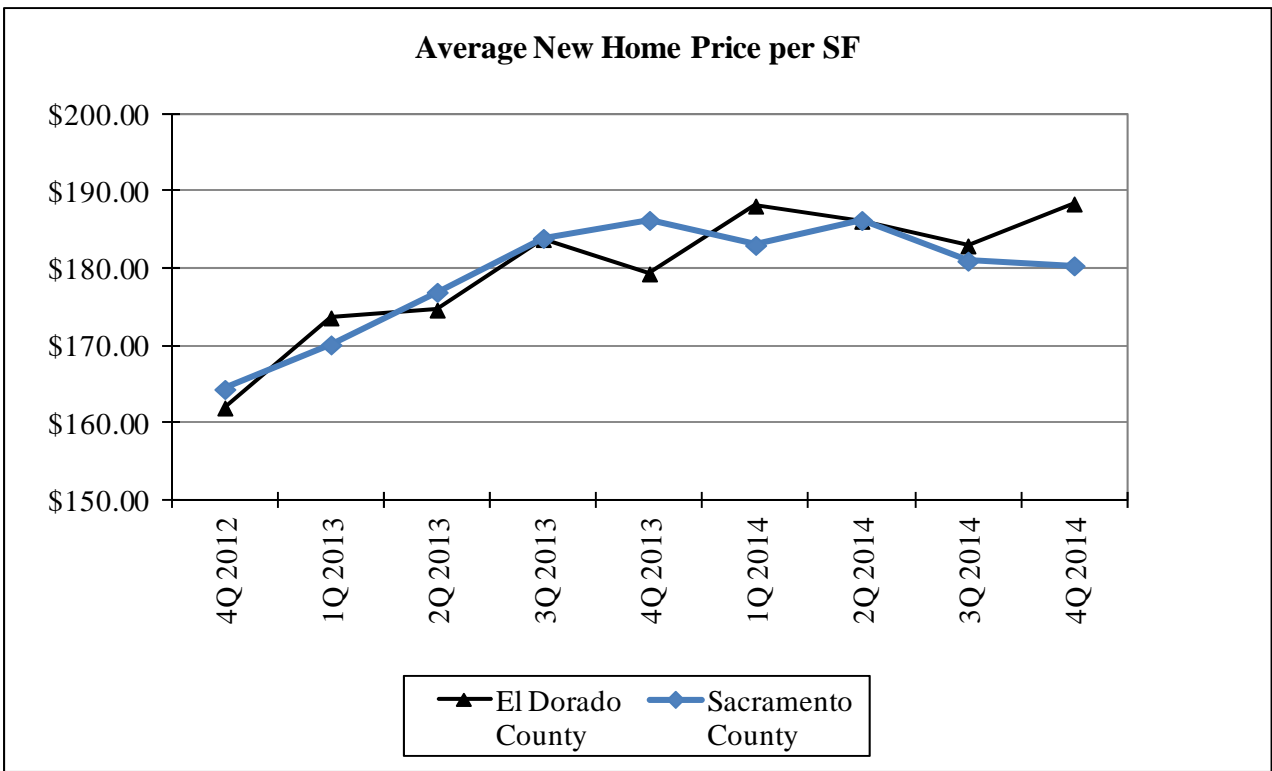
Quarter	Folsom	El Dorado Hills	Rancho Cordova
4Q 2012	\$359,317	\$484,165	\$286,935
1Q 2013	\$403,603	\$517,001	\$352,696
2Q 2013	\$422,892	\$513,045	\$353,288
3Q 2013	\$441,149	\$505,866	\$355,023
4Q 2013	\$456,979	\$515,775	\$359,617
1Q 2014	\$455,684	\$547,615	\$370,672
2Q 2014	\$466,204	\$542,328	\$379,571
3Q 2014	\$465,884	\$539,890	\$381,536
4Q 2014	\$472,223	\$571,247	\$383,849



Source: The Gregory Group

Within the subject’s market area, the average new home price has generally trended upward for the past several quarters and the housing market is considered to be in a stage of expansion. Over the two-year period from Fourth Quarter 2012 to Fourth Quarter 2014, the average price increased by 31.4% in the city of Folsom, 18.0% in El Dorado Hills, and 33.8% in Rancho Cordova.

Sale prices have also been increasing on a per-square-foot basis. The Gregory Group reports this data at the county level, which we have summarized in the following chart for Sacramento and El Dorado Counties.

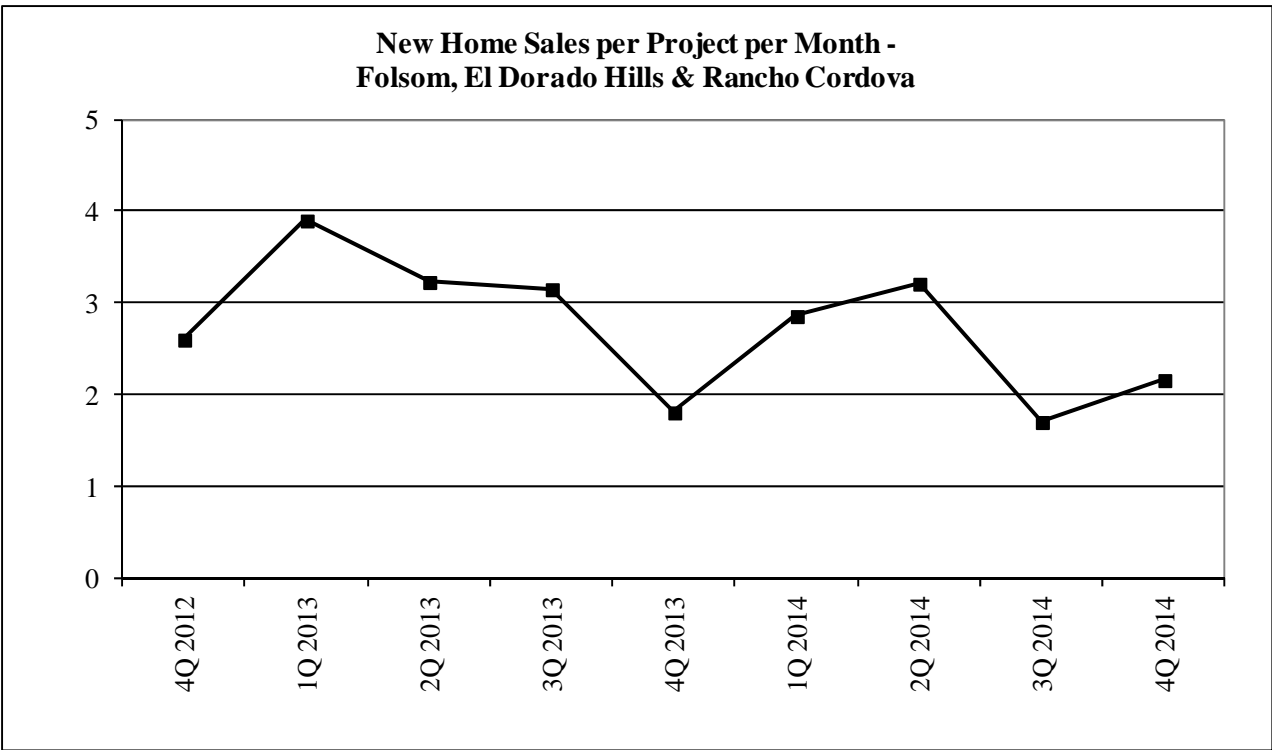


Recent new home sales activity is shown in the following table and accompanying chart on the following page. During the Fourth Quarter 2014, there were 2.2 sales per project per month, which was up from 1.7 in the previous quarter, and down from 2.9 a year ago. Over the past two years, absorption rates (homes sold per project per month) have moved slightly up and down, but have stayed within the range of 1.7 to 3.9 sales per project per month.

**New Home Sales –
Folsom, El Dorado Hills & Rancho Cordova**

Quarter	Quarter Sold	Number of Projects	Sold Per Project Per Quarter	Sold Per Project Per Month
4Q 2012	133	17	7.8	2.6
1Q 2013	164	14	11.7	3.9
2Q 2013	165	17	9.7	3.2
3Q 2013	161	17	9.5	3.2
4Q 2013	98	18	5.4	1.8
1Q 2014	189	22	8.6	2.9
2Q 2014	193	20	9.7	3.2
3Q 2014	118	23	5.1	1.7
4Q 2014	143	22	6.5	2.2

Source: The Gregory Group



Source: The Gregory Group

The following table shows unsold inventory levels per project per month. Inventory levels trended upward from mid-2013 through mid-2014, and then slight declines were seen in the two most recent quarters. The unsold inventory as of Fourth Quarter 2014 equated to 2.6 homes per project per month, down from 3.1 in the previous quarter and down from 3.0 a year ago.

New Home Inventory – Folsom, El Dorado Hills & Rancho Cordova

Quarter	Units Planned	Units Offered	Units Sold	Total Inventory	Unoffered Inventory	Unsold Inventory	No. of Projects	Unsold Inventory Per Project Per Quarter	Unsold Inventory Per Project Per Month
4Q 2012	1,681	1,262	1,135	546	419	127	17	7.5	2.5
1Q 2013	1,552	1,050	986	566	502	64	14	4.6	1.5
2Q 2013	1,745	1,114	1,081	664	631	33	17	1.9	0.6
3Q 2013	1,955	1,305	1,211	744	650	94	17	5.5	1.8
4Q 2013	1,922	1,147	986	936	775	161	18	8.9	3.0
1Q 2014	2,295	1,333	1,175	1,120	962	158	22	7.2	2.4
2Q 2014	2,076	1,354	1,149	927	722	205	20	10.3	3.4
3Q 2014	2,306	1,482	1,267	1,039	824	215	23	9.3	3.1
4Q 2014	2,206	1,227	1,055	1,151	979	172	22	7.8	2.6

Source: The Gregory Group

Project Pricing and Inventory Analysis

As reported by The Gregory Group, as of Fourth Quarter of 2014 there were 22 single-family residential developments actively marketing new homes in the market area encompassing Folsom, El Dorado Hills and Rancho Cordova. All projects were selling detached homes (no active attached projects). Data for the projects is summarized in the table below as of Fourth Quarter 2014.

Active Project Summary – Folsom, El Dorado Hills & Rancho Cordova

Project	Community	Builder	Avg. Base Price	Age. Home Size (SF)	Lot Size (SF)	Units Planned	Units Offered	Units Sold	Total Unsold
Del Sol	El Dorado Hills	Meritage Homes	\$496,974	2,788	6,000	54	53	47	6
Fiora at Blackstone	El Dorado Hills	KB Home	\$486,417	2,803	6,600	72	11	4	7
Laurelton	El Dorado Hills	Standard Pacific	\$731,244	3,629	12,500	114	30	16	14
Sagewood @ Blackstone	El Dorado Hills	Standard Pacific	\$461,600	2,332	6,500	92	92	87	5
Solstice	El Dorado Hills	Meritage Homes	\$581,950	3,458	12,000	110	63	44	19
Summit View	El Dorado Hills	Lennar	\$662,400	3,373	14,400	101	6	1	5
The Estates at Blackstone	El Dorado Hills	K Hovnanian	\$603,455	3,604	6,600	114	14	6	8
The Ridge	El Dorado Hills	Lennar	\$655,000	3,361	12,800	91	6	4	2
Villagio	El Dorado Hills	Standard Pacific	\$501,499	2,467	3,400	127	17	9	8
Innovations 2.0	Folsom	Elliott Homes	\$422,617	1,598	4,725	55	52	39	13
Innovations 3.0	Folsom	Elliott Homes	\$577,617	2,314	7,800	49	46	31	15
Meadows	Folsom	The New Home Co.	\$433,900	2,228	3,250	40	34	28	6
The Hudson	Folsom	Taylor Morrison	\$433,333	2,376	5,000	17	17	4	13
The Knolls	Folsom	D.R. Horton	\$429,990	2,316	3,465	79	47	38	9
The New Riata-Empire Ranch	Folsom	Elliott Homes	\$565,950	2,460	6,500	313	209	193	16
Turnstone	Folsom	D.R. Horton	\$400,490	2,084	3,400	115	102	96	6
Bella Brisas	Rancho Cordova	Woodside Homes	\$336,990	2,123	4,950	58	58	58	0
Corinthia	Rancho Cordova	Richmond American	\$420,350	2,888	9,000	100	30	23	7
Cypress Point	Rancho Cordova	Lennar Homes	\$373,990	2,481	6,000	162	72	68	4
Eclipse II at Sunridge Park	Rancho Cordova	Woodside Homes	\$391,490	2,541	6,000	82	58	54	4
The Reserve	Rancho Cordova	Lennar Homes	\$413,740	2,817	8,540	71	62	58	4
Trentino	Rancho Cordova	Elliott Homes	\$378,950	1,874	7,000	190	148	147	1
<i>Totals:</i>						2,206	1,227	1,055	172
Overall Minimum			\$336,990	1,598	\$210.88	/SF			
Overall Maximum			\$731,244	3,629	\$201.50	/SF			
Overall Average			\$489,088	2,633	\$185.79	/SF			

Source: The Gregory Group

Based on The Gregory Group survey, the total unsold and unoffered inventory levels are determined for the purpose of estimating the supply of new homes in the market area that could be similar to product lines for the subject properties. It is noted of the approximately 1,227 units offered for sale, 1,055 units have been sold. Therefore, the total unsold units offered for sale is 172 units.

Considering this, along with the planned but unoffered inventory of 979 units, the total inventory at active projects equates to 1,151 units.

Project Absorption Rates

Above, we profiled 22 residential communities actively marketing new homes in Folsom, El Dorado Hills and Rancho Cordova. The following table summarizes absorption rates for these projects. The column titled “Total Sales Rate/Mo.” represents the sales per month since the project opened, while the final column represents the sales per month for the most recent quarter only.

Active Project Absorption Rates – Folsom, El Dorado Hills & Rancho Cordova

Project	Community	Builder	Avg. Base Price	Age, Home Size (SF)	Units Offered	Units Sold	Total Sales Rate/Mo.	Q4 2014 Sales	Q4 2014 Rate/Mo.
Del Sol	El Dorado Hills	Meritage Homes	\$496,974	2,788	53	47	2.60	12	4.00
Fiora at Blackstone	El Dorado Hills	KB Home	\$486,417	2,803	11	4	1.34	4	1.33
Laurelton	El Dorado Hills	Standard Pacific	\$731,244	3,629	30	16	1.43	2	0.67
Sagewood @ Blackstone	El Dorado Hills	Standard Pacific	\$461,600	2,332	92	87	2.21	5	1.67
Solstice	El Dorado Hills	Meritage Homes	\$581,950	3,458	63	44	3.42	9	3.00
Summit View	El Dorado Hills	Lennar	\$662,400	3,373	6	1	0.74	1	0.33
The Estates at Blackstone	El Dorado Hills	K Hovnanian	\$603,455	3,604	14	6	1.26	5	1.67
The Ridge	El Dorado Hills	Lennar	\$655,000	3,361	6	4	2.90	4	1.33
Villagio	El Dorado Hills	Standard Pacific	\$501,499	2,467	17	9	0.95	3	1.00
Innovations 2.0	Folsom	Elliott Homes	\$422,617	1,598	52	39	2.21	9	3.00
Innovations 3.0	Folsom	Elliott Homes	\$577,617	2,314	46	31	1.78	1	0.33
Meadows	Folsom	The New Home Co.	\$433,900	2,228	34	28	1.69	5	1.67
The Hudson	Folsom	Taylor Morrison	\$433,333	2,376	17	4	1.17	3	1.00
The Knolls	Folsom	D.R. Horton	\$429,990	2,316	47	38	3.03	6	2.00
The New Riata-Empire Ranch	Folsom	Elliott Homes	\$565,950	2,460	209	193	2.08	4	1.33
Turnstone	Folsom	D.R. Horton	\$400,490	2,084	102	96	5.07	19	6.33
Bella Brisas	Rancho Cordova	Woodside Homes	\$336,990	2,123	58	58	2.81	2	0.67
Corinthia	Rancho Cordova	Richmond American	\$420,350	2,888	30	23	1.99	9	3.00
Cypress Point	Rancho Cordova	Lennar Homes	\$373,990	2,481	72	68	3.59	10	3.33
Eclipse II at Sunridge Park	Rancho Cordova	Woodside Homes	\$391,490	2,541	58	54	5.72	11	3.67
The Reserve	Rancho Cordova	Lennar Homes	\$413,740	2,817	62	58	2.77	7	2.33
Trentino	Rancho Cordova	Elliott Homes	\$378,950	1,874	148	147	5.15	12	4.00
Overall Minimum							0.74		0.33
Overall Maximum							5.72		6.33
Overall Average							2.54		2.17
Overall Median							2.21		1.67

Source: The Gregory Group

Since opening, the projects have achieved an average monthly sales rate of 2.54 sales per month and a median of 2.21 sales per month. During the Fourth Quarter 2014, the absorption rates among the active projects ranged from 0.33 to 6.33 sales per month, with a tendency toward about two sales per month (average of 2.17 and median of 1.67).

Resale Market

The following table provides a recent summary of the resale housing market. These figures include resale single-family residences and condominiums as well as new homes.

	Folsom	El Dorado Hills	Rancho Cordova
Number of Sales 2014	1,339	946	1,093
Median Price 2014	\$410,000	\$533,000	\$295,000
Median Price 2013	\$389,500	\$490,000	\$262,750
% Price Change 2013-2014	5.26%	8.78%	12.27%

Source: DataQuick (DQNews)

Between 2013 and 2014, the year-over-year increases in median home prices were 5.26% for Folsom, 8.78% for El Dorado Hills, and 12.27% for Rancho Cordova.

Conclusion

Overall, the housing market in the subject's market area, which includes the communities of Folsom, El Dorado Hills and Rancho Cordova, is considered to be in a stage of expansion. Over the past two years, average prices have increased for both new and resale homes, and sales rates for new homes have been fairly steady on a per-project basis. Over the next 12 months, prices are expected to continue to rise and sales rates should remain steady, with slight ups and downs possible from quarter to quarter. Job growth is expected to increase in the Sacramento region over the next several years, which should fuel demand for new homes, if appropriately priced.

HIGHEST AND BEST USE

The term “highest and best use,” as used in this report, is defined as follows:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.⁴

Two analyses are typically required for highest and best use. The first analysis is highest and best use of the land as though vacant. The second analysis is the highest and best use of the land as improved. Definitions of these terms are provided in the *Glossary of Terms* in the Appendix of this report.

Highest and Best Use – As Vacant

In accordance with the definition of highest and best use, it is appropriate to analyze the subject properties as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

Legal Permissibility

As discussed in the *Property Legal Data* section of this report, the subject properties include a range of proposed zoning designations. Portions of the subject will require additional approvals to obtain urban land use entitlements for development. The proposed land uses represent a significant amount of residential uses with supporting commercial development.

Portions of the subject require entitlement approvals before development may occur. As a whole, the subject represents transitional land with a mix of future residential and commercial land uses.

Physical Possibility

Substantial infrastructure improvements will be required for the land uses proposed and approved. Accounting for easements, development is physically possible. Given the subject consists of multiple parcels; assemblage of these parcels into a single plan area is a viable alternative.

⁴ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 93.

Financial Feasibility

As discussed previously, in the later part of 2012 and for part of 2013 the residential sector of the real estate market in the Sacramento Region showed signs of market recovery. After a brief pause during 2013 when homebuilders pulled back on acquisitions, the area again appears to be in recovery. The connection between transitional land and near term residential land (improved and unimproved lots) is not direct due to the timeframe to bring transitional land to the market for development. However, overall market forces have similar impacts on both. The subject properties are at varying stages of the entitlement process, representing transitional land with a near to long term development horizon. Based on current supply and demand conditions, there is adequate demand across the Sacramento region for transitional land with varying levels of entitlements. The price levels for such transitional land depends on a number of factors, as discussed in the valuation section of this report.

Maximum Productivity - Conclusion

Based on the factors previously discussed, the maximally productive use of the subject (as vacant) is to assemble the subject parcels and develop as market conditions warrant, during which time additional entitlements for development should be procured. We estimate a near to long term development timeline for the subject's acreage, with some portions expected to be developed within a three to five year timeline. The entire project build-out however is projected for decades.

Highest and Best Use – As Improved

As with the highest and best use as though vacant, the four tests of highest and best use must also be applied to the subject properties considering the in-place improvements. The subject improvements include radio towers and a residential structure. The improvements do not provide significant contributory value.

In summary, the subject represents transitional land with a near to long-term development horizon, based on current supply and demand factors. As previously noted, there is adequate demand across the Sacramento region for transitional land. The subject, at a total of 3,348.54 acres, would be an exceptionally large purchase making it unlikely a single buyer would acquire the subject as a whole. It is our conclusion based on market conditions that a sale of the subject would constitute individual controlling groups selling separate components. The probable buyer of the subject would be an investor/land speculator.

APPROACHES TO VALUE

The valuation process is a systematic procedure used in the valuation of real property.⁵ This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison, and income capitalization approaches. Each approach to value is briefly discussed and defined as follows:

Cost Approach

The cost approach is based on the premise that no prudent buyer would pay more for a particular property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility. Thus, this approach to value relates directly to the economic principle of substitution, as well as supply and demand. The cost approach is most applicable when valuing properties where the improvements are new or suffer only a minor amount of accrued depreciation, and is especially persuasive when the site value is well supported. The cost approach is also highly relevant when valuing special-purpose or specialty properties and other properties that are not frequently exchanged in the market.

The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.⁶

Sales Comparison Approach

The sales comparison approach is based on the premise that the value of a property is directly related to the prices being generated for comparable, competitive properties in the marketplace. Similar to the cost approach, the economic principles of substitution, as well as supply and demand are basic to the sales comparison approach. This approach has broad applicability and is particularly persuasive when there has been an adequate volume of recent, reliable transactions of similar properties that indicate value patterns or trends in the market. When sufficient data are available, this approach is the most direct and systematic approach to value estimation. Typically, the sales comparison approach is most pertinent when valuing land, single-family homes and small, owner-occupied commercial and office properties.

⁵ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 205.

⁶ The Dictionary of Real Estate Appraisal, 47.

The definition of the sales comparison approach is offered as follows:

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.⁷

Income Capitalization Approach

The income capitalization approach is based on the premise that income-producing real estate is typically purchased as an investment. From an investor's point of view, the potential earning power of a property is the critical element affecting value. The concepts of anticipation and change, as they relate to supply and demand issues and substitution, are fundamental to this valuation approach. These concepts are important because the value of income-producing real estate is created by the expectation of benefits (income) to be derived in the future, which is subject to changes in market conditions. Value may be defined as the present worth of the rights to these future benefits.

Within the income capitalization approach there are two basic techniques that can be utilized to estimate market value. These techniques of valuation are direct capitalization and yield capitalization.

Direct Capitalization: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only a single year's income is used. Yield and value changes are implied but not identified.⁸

Yield Capitalization: A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.⁹

The definition of the income capitalization approach is offered as follows:

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.¹⁰

⁷ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 175.

⁸ The Dictionary of Real Estate Appraisal, 58.

⁹ The Dictionary of Real Estate Appraisal, 211.

¹⁰ The Dictionary of Real Estate Appraisal, 99.

APPRAISAL METHODOLOGY

The District is comprised of parcels having varying characteristics such as ownership/controlling entity, acres, primary use, percent developable, and development timeline. The valuation of the subject properties that comprise the taxable parcels within the District (or CFD) is derived by ownership. For two of the controlling ownership groups their land holdings within the District are grouped into two components. The criteria for grouping the parcels as components are contiguous position and a common development timeline. Seven of the nine controlling ownership groups are valued as the assembled parcels, one grouping per ownership. As previously noted, the two remaining ownership groups have been allocated into two components. The premise is that under current market conditions there is an increment of value assigned to parcels which have been assembled within this plan area. The value created by the plottage (defined as, the increment of value created when two or more sites are combined to produce greater utility¹¹) of each ownership group would be diminished if the assembled parcels were sold off individually. At a future point in the development process the maximally productive use of the land will be the sell-off of improved parcels (first, to be created large lot parcels and then small lot parcels and non-residential sites).

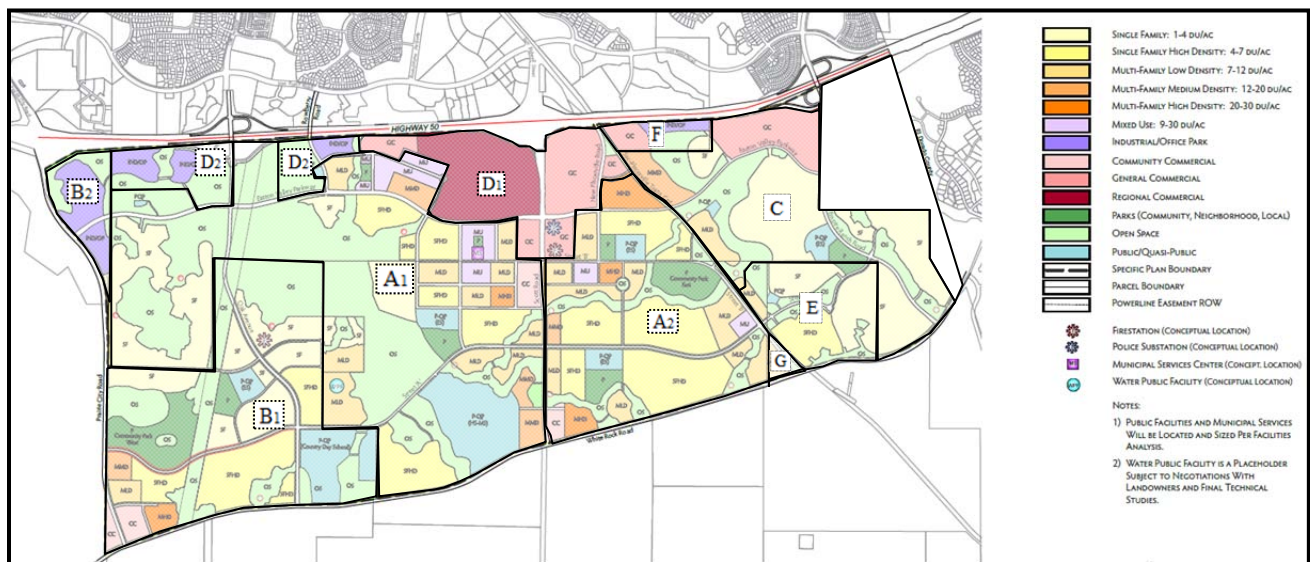
The following table displays the District's parcels grouped by controlling entity, contiguous position and development timeline as described above.

Parcel Number	Property Owner	Controlling Entity	Acres	Primary Use	Percent Developable	Development Timeline
072-3190-003-0000	Easton Valley Holdings, LLC	Westland Capital Partners, L.P.	68.300	Residential	90	5-10 yrs
072-3190-004-0000	Easton Valley Holdings, LLC	Westland Capital Partners, L.P.	59.450	Residential	95	5-10 yrs
072-3190-005-0000	Easton Valley Holdings, LLC	Westland Capital Partners, L.P.	212.340	Residential	20	5-10 yrs
072-3190-007-0000	West Prairie Estate, LLC	Westland Capital Partners, L.P.	239.530	Residential	45	5-10 yrs
072-0060-078-0000	West Scott Road, LLC	Westland Capital Partners, L.P.	72.760	Residential	85	5-10 yrs
072-0060-007-0000	J & Z Property, LLC	Westland Capital Partners, L.P.	30.000	Residential	75	5-10 yrs
072-0060-076-0000	Folsom Real Estate South, LLC	Westland Capital Partners, L.P.	168.890	Residential	15	5-10 yrs
072-0060-077-0000	Folsom Real Estate South, LLC	Westland Capital Partners, L.P.	129.280	Residential	90	5-10 yrs
072-0060-079-0000	Folsom Real Estate South, LLC	Westland Capital Partners, L.P.	120.810	Public	75	5-10 yrs
072-0060-080-0000	Folsom Real Estate South, LLC	Westland Capital Partners, L.P.	51.410	Residential	95	5-10 yrs
072-0060-081-0000	Folsom Real Estate South, LLC	Westland Capital Partners, L.P.	91.390	Residential	50	3-5 yrs
072-0060-082-0000	Folsom Real Estate South, LLC	Westland Capital Partners, L.P.	55.000	Residential	80	3-5 yrs
072-0060-084-0000	Folsom Real Estate South, LLC	Westland Capital Partners, L.P.	45.800	Residential	70	3-5 yrs
072-0060-083-0000	Mangini North Holdings, LLC	Westland Capital Partners, L.P.	103.740	Residential	95	3-5 yrs
072-0060-085-0000	White Rock Land Investors, LLC	Westland Capital Partners, L.P.	122.870	Residential	90	3-5 yrs
072-3190-009-0000	Carpenter East, LLC	Westland Capital Partners, L.P.	101.860	Residential	85	3-5 yrs
072-0060-087-0000	Aerojet Rocketdyne Inc.	Aerojet Rocketdyne Inc. (GenCorp)	458.050	Residential	85	5-10 yrs
072-0060-073-0000	Aerojet Rocketdyne Inc.	Aerojet Rocketdyne Inc. (GenCorp)	80.000	Public	70	5-10 yrs
072-0060-086-0000	Aerojet Rocketdyne Inc.	Aerojet Rocketdyne Inc. (GenCorp)	96.820	Residential	10	5-10 yrs
072-0231-140-0000	Easton Development Company, LLC	Easton Development Co., LLC (GenCorp)	73.780	Industrial	75	10-15 yrs
072-0070-033-0000	TNHC Russell Ranch, LLC	TNHC Russell Ranch, LLC	377.490	Residential	75	3-5 yrs
072-0270-138-0000	TNHC Russell Ranch, LLC	TNHC Russell Ranch, LLC	64.850	Commercial	90	3-5 yrs
PTN 072-0060-012-0000	TNHC Russell Ranch, LLC	TNHC Russell Ranch, LLC	6.748	Residential	25	3-5 yrs
072-3190-001-0000	Eagle Commercial Partners, LLC	PCCP, LLC	144.320	Commercial	100	3-5 yrs
072-3190-008-0000	Eagle Commercial Partners, LLC	PCCP, LLC	86.160	Commercial	95	3-5 yrs
072-3190-002-0000	Eagle Office Properties, LLC	PCCP, LLC	40.030	Industrial	40	10-15 yrs
072-3190-006-0000	Eagle Office Properties, LLC	PCCP, LLC	57.930	Industrial	55	10-15 yrs
072-0070-006-0000	Gragg Ranch Recovery Acquisition, LLC	Gragg Ranch Recovery Acquisition, LLC	124.190	Residential	85	3-5 yrs
PTN 072-0060-012-0000	Gragg Ranch Recovery Acquisition, LLC	Gragg Ranch Recovery Acquisition, LLC	14.667	Residential	50	3-5 yrs
072-0270-147-0000	Elliott Homes	Elliott Homes	37.080	Commercial	75	3-5 yrs
072-0070-035-0000	Arcadian heights, LLC	Arcadian heights, LLC	12.990	Residential	70	3-5 yrs
Total:			3,348.535			

¹¹ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 147.

These groupings represent the District’s components with suitable marketability. The District’s components are displayed below, along with an identifier, followed by a map of component locations.

Component	Property Controlling Entity	No. of		Primary Use	Percent Developable	Development Timeline
		Parcels	Acres			
A1	Westland Capital Partners, L.P.	10	1,152.77	Residential	55	5-10 yrs
A2	Westland Capital Partners, L.P.	6	520.66	Residential	80	3-5 yrs
B1	Aerojet Rocketdyne Inc. (GenCorp)	3	634.87	Residential	70	5-10 yrs
B2	Easton Development Co., LLC (GenCorp)	1	73.78	Industrial	75	10-15 yrs
C	TNHC Russell Ranch, LLC	3	449.09	Residential	75	3-5 yrs
D1	Eagle Commercial Partners, LLC (PCCP, LLC)	2	230.48	Commercial	100	3-5 yrs
D2	Eagle Office Properties, LLC (PCCP, LLC)	2	97.96	Industrial	50	10-15 yrs
E	Gragg Ranch Recovery Acquisition, LLC	2	138.86	Residential	85	3-5 yrs
F	Elliott Homes Inc.	1	37.08	Commercial	75	3-5 yrs
G	Arcadian Heights, LLC	1	12.99	Residential	70	3-5 yrs
Totals:		31	3,348.54			



Source: Folsom Plan Area Specific Plan – June 2011 (modified with component layer)

In the valuation analysis of the subject properties, we will employ the sales comparison approach to value. As noted in the *Highest and Best Use* section, a sale of the subject would constitute individual controlling groups selling separate components. Since the subject would likely sell in multiple components, transitional land sales collected and analyzed herein are for sizes similar to the subject’s components, and not the size of the entire subject as a whole.

Benchmark Components

In order to adjust for differences between comparable properties and the subject, a single subject component (per primary use type) is selected and serves as a benchmark component. Following is a description of these benchmark components. The subject consists of six components with a primary use of residential development ranging from 12.99 to 1,152.77 acres. The average size of these components is 426.15 acres. Component C, at 449.09 acres is closest to the average size and at 75% developable is a representative component for this use type so will be considered the benchmark residential component. Of the subject's two components with a primary use of commercial development, Component D1, at 230.48 acres represents substantially more acres than Component F, at 37.08 acres, and will be considered the commercial component benchmark. Of the subject's two components with a primary use of industrial development, Component B2, at 75 percent developable, has a substantially higher percent of developable acres than Component D2, at 50 percent developable, and will be considered the industrial component benchmark.

Primary Use	Component	Acres	Percent Developable	Development Timeline
Residential	C	449.09	75	3-5 yrs
Commercial	D1	230.48	100	3-5 yrs
Industrial	B2	73.78	75	10-15 yrs

After deriving estimates of value for the benchmark components referenced above, we will then assign estimates of value to each of the subject's ownership groups and/or components. Similar to the valuation of the benchmark components, each ownership/component will be valued based on its overall ranking relative to the applicable benchmark value estimate.

SALES COMPARISON APPROACH

In the sales comparison approach, the market value of the subject properties are estimated by a comparison to similar properties that have recently sold, are listed for sale, or are under contract. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), “The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining sale data for comparison with the subject. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

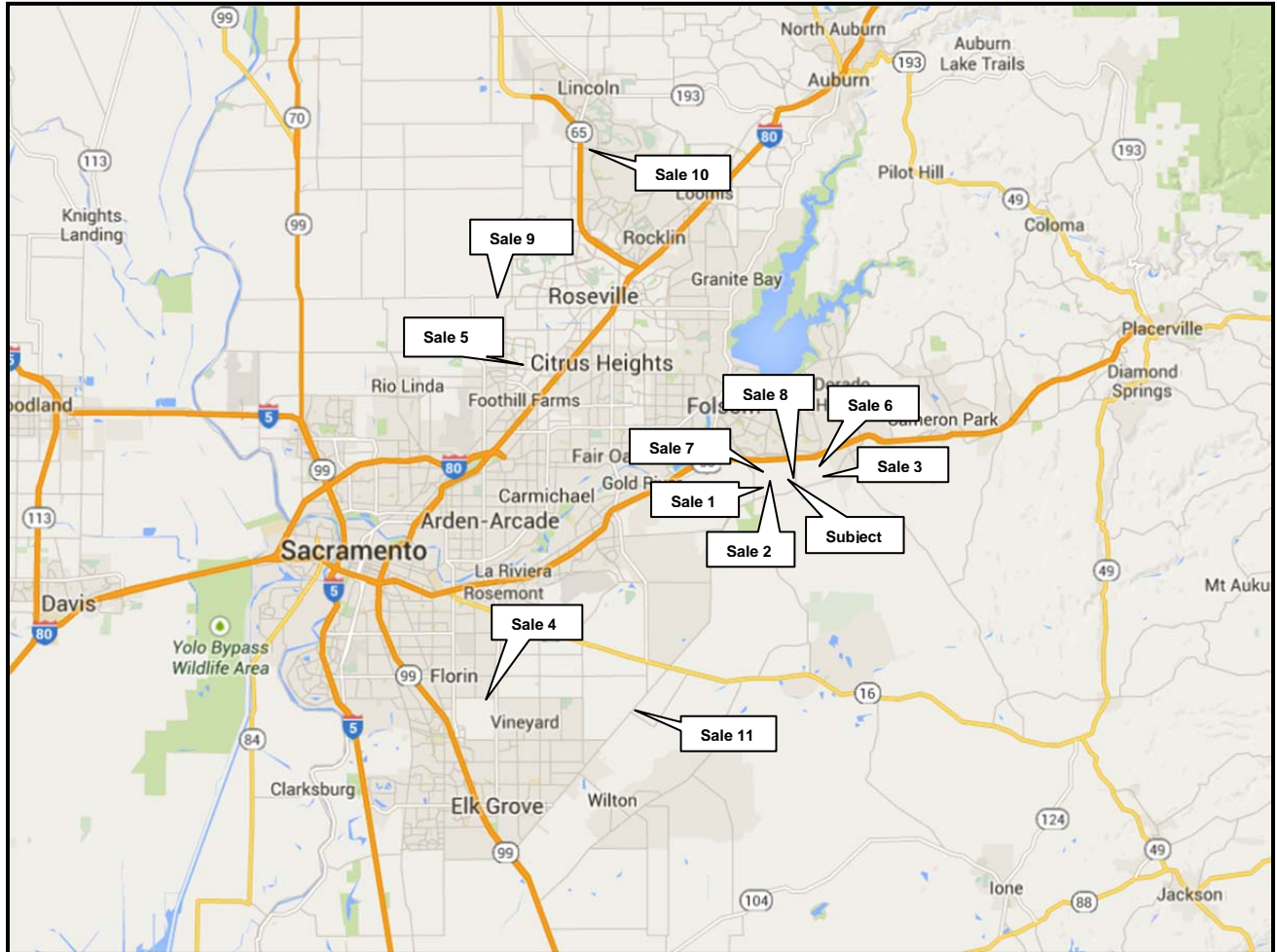
The District represents a total of 3,348.54± acres marketable as eleven separate components ranging in size from 12.99± acres to 1,152.77± acres. Our investigation initially focused on the subject’s immediate area, but was ultimately expanded to include the surrounding counties due to a lack of data. In compiling the comparables, we searched for sales of properties having similar utility to the subject’s benchmark components. Generally, we attempted to gather sales of properties with residential development potential between 100± acres and 900± acres in size and properties with non-residential development potential between 50± and 200± acres in size that have closed (or are pending) over the last two to three years. We were challenged in locating transactions for properties sized similarly to the subject’s benchmark components. The properties were analyzed on a price per acre basis, which is typical for transitional land.

We will begin by presenting a summary tabulation and location map, followed by detailed sales sheets, a discussion of necessary adjustments, and our conclusion of value via this approach. These sales are the most recent transactions that were considered to be reasonably similar to the subject.

COMPARABLES SUMMARY

No.	Location	Sale Date	Sale Price	Gross Acres	Price per Gross Acre	Comments
<u>Residential Component Comparables:</u>						
1	North of White Rock Road and East of Prairie City Road Folsom, Sacramento County APN: 072-0060-073, -086, -087, & 072-0231-140	Mar-15 (pending)	\$57,000,000	703.00	\$81,081	Residential (Subject Acres)
2	North of White Rock Road and East of Prairie City Road Folsom, Sacramento County APN: 072-0060-007	Sep-14	\$4,000,000	30.00	\$133,333	Residential (Subject Acres)
3	North Corner of White Rock Road and Placerville Road Folsom, Sacramento County APN: 072-0070-006	Jan-14	\$10,765,000	124.19	\$86,682	Residential (Subject Acres)
4	S/S of Florin Road, N/S of Gerber Road Sacramento (unincorporated), Sacramento County APN: 066-0210-001 thru -007, et al	Dec-13	\$4,600,000	146.13	\$31,479	Vineyard Creek
5	East and west of Don Julio Boulevard, north of Antelope Road Sacramento (unincorporated), Sacramento County APN: 203-0120-067	Aug-13	\$14,000,000	128.10	\$109,290	Residential
6	East of Scott Road, south of Highway 50 Folsom, Sacramento County APN: 072-0070-032 et al	May-13	\$30,000,000	430.99	\$69,607	Russell Ranch (Subject Acres)
7	South side of Highway 50 at Scott Road Folsom, Sacramento County APN: 072-0060-045 et al	Mar-13	\$26,865,000	681.48	\$39,422	Carpenter Ranch (Subject Acres)
8	E/S & W/S of Scott Road, S/O Highway 50 Folsom, Sacramento County APN: 072-0060-069 and -038	Oct-12	\$60,000,000	961.90	\$62,377	Mangini Ranch (Subject Acres)
9	North side of Baseline Road, west of Fiddymont Roseville, Placer County APN: 017-150-081 (por.) and -082 (por.)	Early 2014	\$4,116,420	94.50	\$43,560	Commercial Sierra Vista Spec. Plan
10	N/S Twelve Bridges Drive, W/O East Joiner Parkway Lincoln, Placer County APN: 329-010-033 thru -035; -050, thru -053	Sep-13	\$8,094,000	72.10	\$112,261	Commercial Planned Wal-Mart Store
11	SEC Grant Line Road & Sloughhouse Road Elk Grove, Sacramento County	Listing	\$1,695,000	59.45	\$28,511	Agricultural

COMPARABLE LAND SALES MAP

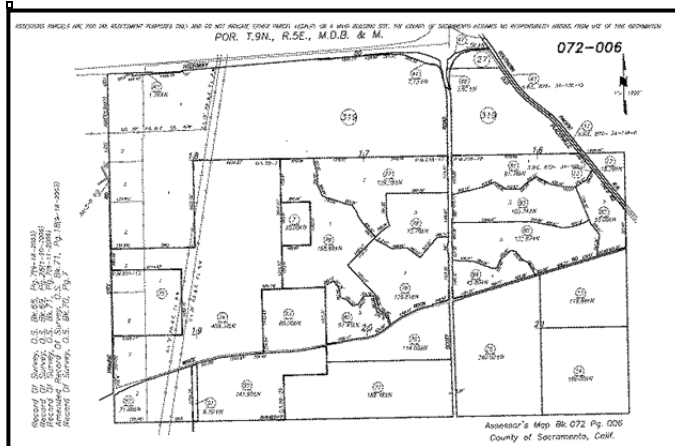


Source: Google Maps

COMPARABLE 1

Property Identification

North of White Rock Road and East
of Prairie City Road
Folsom, CA
Sacramento County
APN: 072-0060-073, -086, -087, &
072-0231-140



Sale Data

Grantor	Aerojet Rocketdyne, Inc.
Grantee	Westland Capital Partners, L.P.
Sale Date	03/04/2015 (Pending)
Deed Book Page	N/Av
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$57,000,000
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	703.00 (492.10 estimated developable)
Zoning	Single-family and a small portion industrial
Shape	Irregular
Street Frontage	Prairie City Road and White Rock Road
Topography	Generally level to rolling
Off-Site Improvements	Paved access and utilities
On-Site Improvements	None

Indicators

Sale Price per Acre	\$81,081
Present Value of Bonds per Acre	\$0

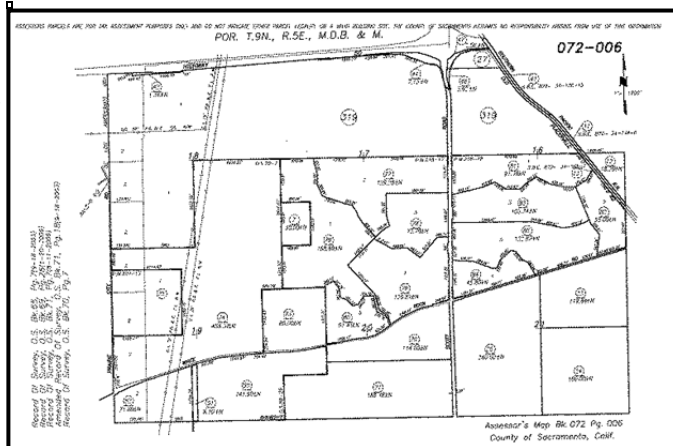
Remarks

This transaction represents the pending sale of approximately 703 acres located in the Folsom Plan Area. According to a representative of the owner, the transaction was agreed to on March 4, 2015 with a 75 day due diligence period. The acreage consists of the southwest portion of the Folsom Plan Area, planned primarily for residential development with a portion of commercial and public uses in addition to open space. Additionally the sale includes a parcel located in the northwest portion of the Folsom Plan Area, planned for industrial development and open space. The parcels are contiguous to properties already owned by the purchaser. The total acreage in the transaction is estimated at 70% developable. The transaction contains contingency provisions associated with the price.

COMPARABLE 2

Property Identification

North of White Rock Road and East
of Prairie City Road
Folsom, CA
Sacramento County
APN: 072-0060-007



Sale Data

Grantor	Jahanshir Javanifard et al
Grantee	J & Z Property, LLC
Sale Date	09/15/2014
Deed Book Page	140915-150
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	50% Seller Financing (variable: Prime + 2.5%)
Sale Price	\$4,000,000
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	30.00
Zoning	Residential
Shape	Rectangular
Street Frontage	White Rock Road
Topography	Generally level to rolling
Off-Site Improvements	Paved access and utilities
On-Site Improvements	Mobile home, horse corrals, barn, well and septic system

Indicators

Sale Price per Acre	\$133,333
Present Value of Bonds per Acre	\$0

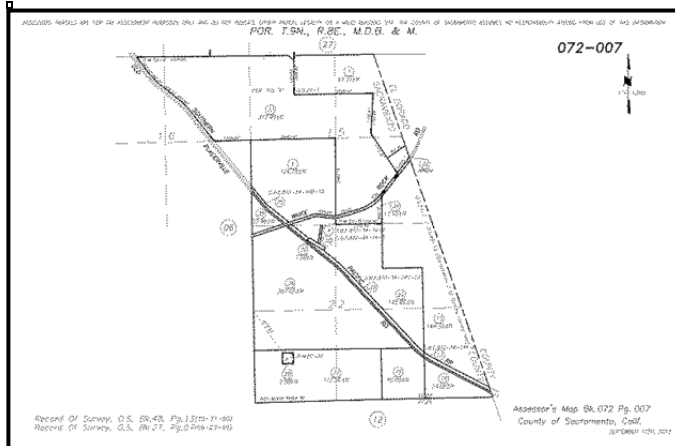
Remarks

This transaction represents the sale of 30 acres located in the Folsom Plan Area. According to a representative of the owner, the improvements did not contribute any value and were left vacant after the sale. The total acreage in the transaction is estimated at 75% developable. This property was an advantageous purchase for incorporation into the Westland Capital Partners' Folsom real estate portfolio.

COMPARABLE 3

Property Identification

North Corner of White Rock Road
and Placerville Road
Folsom, CA
Sacramento County
APN: 072-0070-006



Sale Data

Grantor	Folsom White Rock Investors, LLC
Grantee	Gragg Ranch Recovery Acquisition, LLC
Sale Date	1/13/2014
Deed Book Page	140113-78
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$10,765,000
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	124.19 (105.56 estimated developable)
Zoning	Single-family
Shape	Nearly square
Street Frontage	White Rock Road and Placerville Road
Topography	Rolling
Off-Site Improvements	Paved access
On-Site Improvements	None

Indicators

Sale Price per Acre	\$86,682
Present Value of Bonds per Acre	\$0

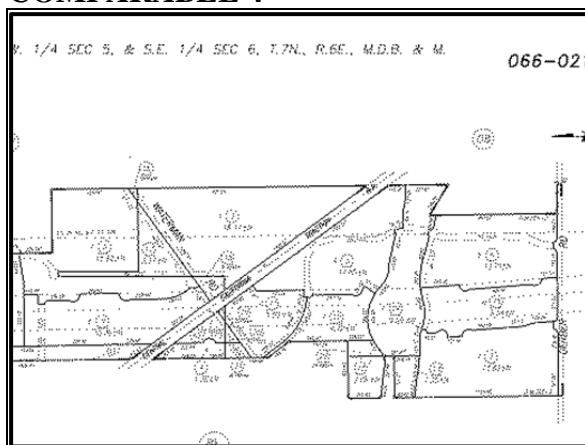
Remarks

This transaction represents the sale of a 124.19 acre parcel located at the corner of White Rock Road and Placerville Road, in the eastern portion of the Folsom Plan Area. The parcel is planned primarily for residential development with a portion for open space and public uses. The parcel is estimated at 85% developable.

COMPARABLE 4

Property Identification

Vineyard Creek
South side of Florin Road, north
side of Gerber Road, east of Elk
Grove-Florin Road
Sacramento (unincorporated), CA
Sacramento County
APN: 066-0210-001 thru-007, -009
thru -012, -016 thru-021 and -024;
065-0260-001 thru -003 and -015



Sale Data

Grantor	Family Real Property LP
Grantee	Lennar Homes of California
Sale Date	12/6/2013
Deed Book Page	121030-830
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$4,600,000
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	146.13 (113.98 developable)
Zoning	Single-family
Shape	Irregular
Street Frontage	Florin Road and Gerber Road
Topography	Generally level
Off-Site Improvements	Paved access and utilities
On-Site Improvements	None

Indicators

Sale Price per Acre	\$31,479
Present Value of Bonds per Acre	\$0

Remarks

This transaction represents the sale of 504 paper lots from an investor to a builder. The investor acquired the property in two separate REO transactions (2012) for a combined price of \$2,150,000. The property includes drainage areas that are undevelopable. The buyer (Lennar) is developing the Vineyard Point project to the east.

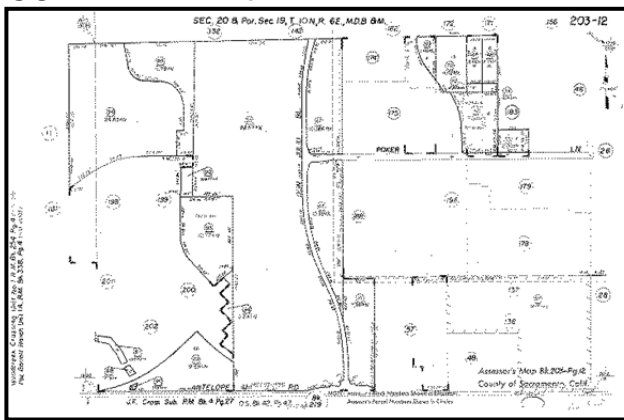
COMPARABLE 5

Property Identification

Single-family Residential Land

East and west of Don Julio Boulevard,
north of Antelope Road
Sacramento, CA
Sacramento County

APN: 203-0120-067 et al



Sale Data

Grantor	Gerald Ents, LP
Grantee	Antelope RBVP, LP/Barrett Winn, LLC
Sale Date	08/28/2013
Deed Book Page	130903-578
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$14,000,000
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	128.10
Zoning	SPA, UR, AR-2, RD-5 – Residential
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Don Julio Boulevard and Antelope Road
Topography	Generally level
Off-Site Improvements	Road improvements, utilities available
On-Site Improvements	SFR; no contributory value assigned

Indicators

Sale Price per Acre	\$109,290
Present Value of Bonds per Acre	\$0

Remarks

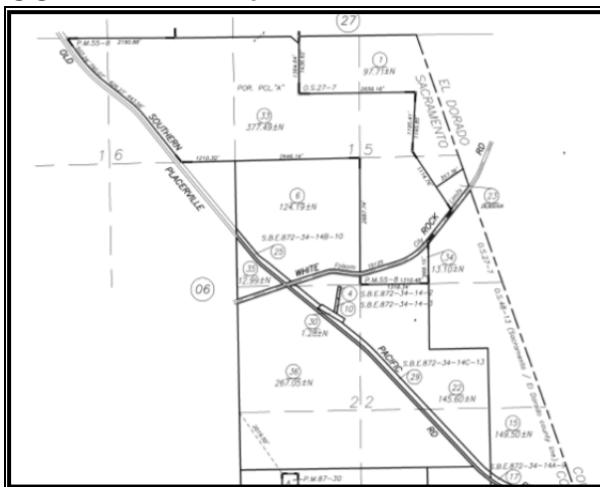
This comparable represents the sale of 128.10± acres of transitional land. The property is primarily zoned for residential development and although applications to subdivide the property were previously submitted, approvals had not been obtained as of the date of sale. However, new applications have been submitted by the buyer. The property was improved with a small single family residence and some fencing; however, the improvements do not possess any contributory value.

COMPARABLE 6

Property Identification

Russell Ranch
East of Scott Road, south of
Highway 50
Folsom, CA
Sacramento County

APN: 072-0070-032 and -138
(changed to 072-0072-033 and -
034)



Sale Data

Grantor	Russell-Promontory LLC
Grantee	TNHC Russell Ranch LLC
Sale Date	5/23/2013
Deed Book Page	130523-1119
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$30,000,0000
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	430.99
Zoning	Single-family, multifamily, and commercial
Shape	Irregular
Street Frontage	Scott Road and White Rock Road
Topography	Undulating
Off-Site Improvements	Paved access, electricity, telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$69,607
Present Value of Bonds per Acre	\$0

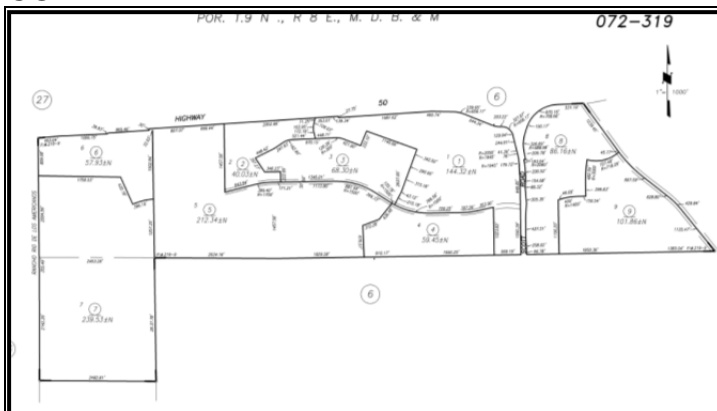
Remarks

This comparable represents the purchase of Russell Ranch, which is located in the South of Folsom Plan Area, just east of Mangini Ranch. The property is approved for 713 single-family units and 406 multifamily units, as well as commercial, neighborhood and public use areas. Approximately 25% of the property is open space that is not developable. Like other properties in the South of Folsom Plan Area, most entitlements are in place but wetlands/environmental permits, a financing plan and small lot tentative maps are needed.

COMPARABLE 7

Property Identification

Carpenter Ranch
South side of Highway 50 at Scott
Road
Folsom, Sacramento County, CA
APN: 072-0060-045 et al



Sale Data

Grantor	RCFC Carpenter Ranch (U.S. Bank)
Grantee	West Prairie Estates LLC et al
Sale Date	3/26/2013
Deed Book Page	130326-1514 et al
Property Rights	Fee Simple
Conditions of Sale	REO/Market
Financing Terms	Cash Equivalent
Sale Price	\$26,865,000
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	681.48 acres
Zoning	831 single-family lots on 202.8 acres, 1,432 multifamily units on 105.7 acres, 18.5 acres of parks and schools, 2.7 acres of sewer/public facilities, 59.9 acres of roads and 291.9 acres of open space
Shape	Rectangular
Street Frontage	Highway 50 and Scott Road
Topography	Level
Off-Site Improvements	Paved access, electricity, telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$39,422
Present Value of Bonds per Acre	\$0

Remarks

This comparable is a portion of a 1,009.9-acre property known as Carpenter Ranch, which contains residential and commercial components. The total property was marketed for an extensive period and the seller was reportedly asking \$30 million. The seller was an entity of U.S. Bank, which foreclosed on Carpenter Ranch LP on August 12, 2011 with an outstanding loan balance of approximately \$42 million. Carpenter Ranch is within the Folsom Plan Area Specific Plan. Significant entitlement approvals had been completed at the time of sale. However, the buyer needs to complete project-level entitlements and finalize infrastructure planning. This comparable represents the sale of the residential component. Specially, this property includes 831 proposed single-family lots on 202.8 acres, 1,432 multifamily units on 105.7 acres, 18.5 acres of parks and schools, 2.7 acres of sewer/public facilities, 59.9 acres of roads and 291.9 acres of open space. The commercial component of Carpenter Ranch, which was

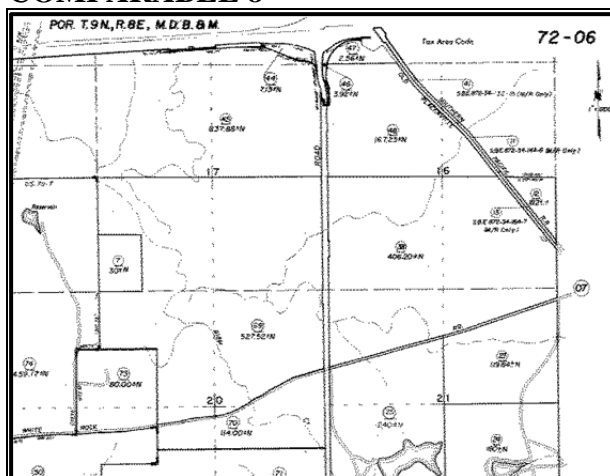
not included, has 252.9 acres of commercial (industrial, office, general and regional commercial), 21.1 acres of roads and 54.4 acres of open space. While not included in the purchase, if the seller exceeds an identified return threshold on development of the commercial property, the buyer will participate in marginal commercial profits. Similarly, if the buyer achieves an identified return threshold on development of the residential property, the seller will participate in marginal residential profits.

COMPARABLE 8

Property Identification

East and west sides of Scott Road,
south of Highway 50
Folsom, CA
Sacramento County

APN: 072-0060-069 and -038



Sale Data

Grantor	Angelo Tsakopoulos
Grantee	Folsom Real Estate South LLC et al
Sale Date	October 12, 2012
Deed Book Page	121012-1356 et al
Property Rights	Fee Simple
Conditions of Sale	Short sale/Market
Financing Terms	Seller-financed/Above market
Sale Price	\$60,000,000
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	961.9 (703.1 developable)
Zoning	Single-family, multifamily and commercial
Shape	Irregular
Street Frontage	Scott Road and White Rock Road
Topography	Undulating
Off-Site Improvements	Paved access, electricity, telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$62,377
Present Value of Bonds per Acre	\$0

Remarks

This comparable represents the purchase of the 961.9-acre Mangini Ranch, which is located within the Folsom Plan Area Specific Plan. According to public records, West Scott Road LLC acquired the subject property from Angelo Tsakopoulos on October 12, 2012 (Document Number 121012-1352) with an allocated price of \$5,900,000 (\$16,004/unit or \$85,342/acre). West Scott Road LLC and three other separate-but-related ownerships (Mangini North Holdings LLC, Folsom Real Estate South LLC and White Rock Land Investors LLC) each acquired components as part of a total 961.9-acre transaction with a total sale price of \$59,000,000 (per public records). A party to the transaction indicated the allocated prices for the four components were based on the number of units in each component. Further, note the owner indicates the actual sale price was \$60,000,000 (not \$59,000,000 as reflected by public records), which suggests the buyer may have paid items (such as broker fees) directly. The seller financed

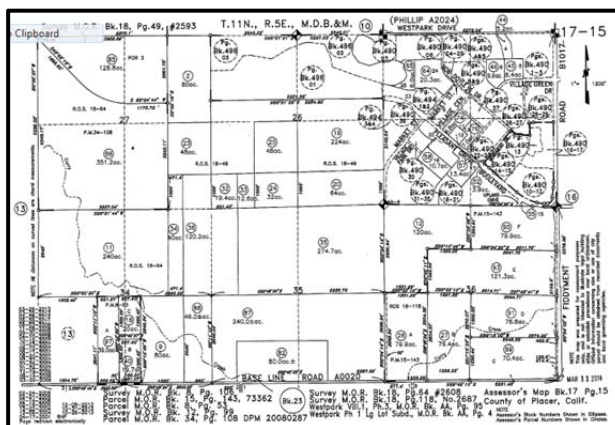
\$24,000,000 of the sale price. The note has a 12-year term and variable rate between 7.5% and 8.5% (prime plus 3.5%). The seller-financing is pre-payable without penalty. According to a party involved in the transaction, due to the buyer's down payment, the seller released the rights to develop up to 1,000 lots; the rights to develop the balance will be released by the seller when the buyer pays off the seller-financing.

COMPARABLE 9

Property Identification

North side of Baseline Road, west
of Fiddymment Road
Roseville, CA
Placer County

APN: 017-150-081 (portion) and -
082 (portion)



Sale Data

Grantor	Baseline P&R LLC
Grantee	True Life Communities/Chris Vrame
Sale Date	Early 2014
Deed Book Page	Not available
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$4,116,420
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	94.50 (net of proposed backbone infrastructure)
Zoning	Commercial/Mixed Use/Business Park
Shape	Irregular
Street Frontage	Baseline Road
Topography	Generally level
Off-Site Improvements	Electricity/telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$43,560
Present Value of Bonds per Acre	\$0

Remarks

This comparable is located within the Sierra Vista Specific Plan and consists of a bundle of commercial properties within a 366.4 gross acre tract. The seller sold the commercial land to service debt; the property sold represents portions of existing parcel numbers. A future lot line adjustment will provide for new assessor parcel numbers for the transacted property. Public records do not yet reflect the transaction. However, the sale was verified from a reliable source. Reportedly the sale price for the total 94.5 net acres (net of backbone infrastructure, to be constructed) was \$43,560 per acre.

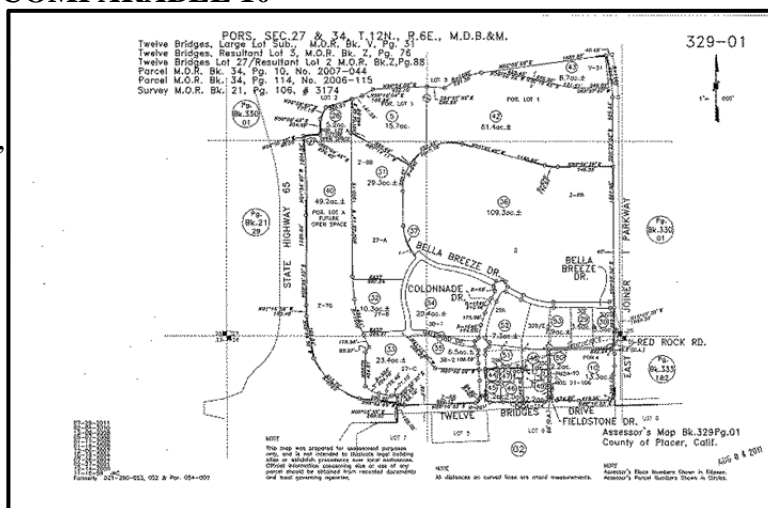
COMPARABLE 10

Property Identification

Commercial Land

North side of Twelve Bridges Drive,
west of East Joiner Parkway
Lincoln, CA 95648
Placer County

APN: 329-010-033 through -035; -
050 through -053



Sale Data

Grantor	Central Plot Inc.
Grantee	Pappas Arizona/Pappas Gateway LP
Sale Date	09/05/2013
Deed Book Page	87640
Property Rights	Fee Simple
Conditions of Sale	Below Market
Financing Terms	Cash Equivalent
Sale Price	\$8,094,000
Present Value of Bonds	\$2,356,063

Land Data

Land Area (Acres)	72.10
Zoning	EC – Employment Center (retail allowed by right)
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Twelve Bridges Drive, Galewind Drive, Bella Breeze Drive, Colonnade Drive
Topography	Generally level to slightly rolling
Off-Site Improvements	In place
On-Site Improvements	None

Indicators

Sale Price per Acre	\$112,261
Present Value of Bonds per Acre	\$32,678

Remarks

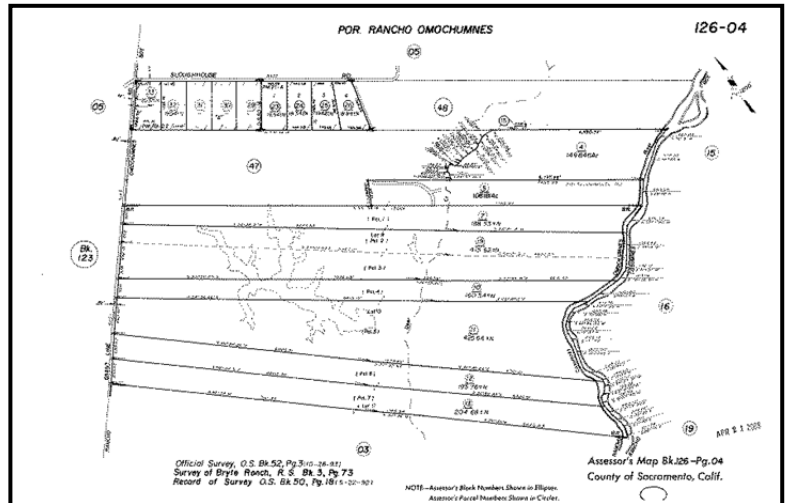
This comparable represents the sale of 72.1 acres of land located between State Highway 65 and the Sun City at Lincoln Hills housing development (built by Del Webb). The property was not on the open market at the time of sale, and the broker involved believed the buyer “got the better end of the deal.” The broker reported the buyer plans to eventually develop a Wal-Mart store on the site, among other uses.

COMPARABLE 11

Property Identification

Southeast corner of Grant Line Road and Sloughhouse Road
 Elk Grove, CA 95624
 Sacramento County

APN: 126-0040-031 through -033



Sale Data

Grantor	Mark Stephen/Lavonna Douglas
Grantee	Listing
Sale Date	Listing
Deed Book Page	Listing
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$1,695,000
Present Value of Bonds	\$0

Land Data

Land Area (Acres)	59.45 acres
Zoning	AG-20 – Agriculture, 20-acre min. lot size
Shape	Nearly rectangular
Corner Orientation	Yes
Street Frontage	Grant Line Road, Sloughhouse Road
Topography	Generally level
Off-Site Improvements	Paved access, electricity
On-Site Improvements	None

Indicators

Sale Price per Acre	\$28,511
Present Value of Bonds per Acre	\$0

Remarks

This comparable represents a listing for about 60 acres of AG-20 land at the intersection of Grant Line Road and Sloughhouse Road, unincorporated Sacramento County. The area is sparsely populated and the development timeline is likely more protracted than that of the subject. The Southeast Connector will likely pass by this site at completion (2025), and the property is located within the Sacramento Urban Services boundary. The broker reported that the site has been on the market for a few years, with minimal interest. The intersection of Grant Line Road and Sloughhouse Road is signalized, and the broker believes there is some long term development potential.

Discussion of Adjustments

The comparable transactions are adjusted based on the profile of the subject's benchmark components with regard to categories that affect market value. Adjustments may be categorized as either superior or inferior, with adjustments applied accordingly. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject. The adjustments are made in consideration of paired sales, the appraiser's experience and knowledge and interviews with market participants. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Expenditures after Sale (atypical carrying costs such as Special Taxes)
- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Location
- Physical features

A detailed analysis involving the adjustment factors is presented below.

Expenditures After Sale

Often properties are encumbered by Bonds (or Special Taxes) that may represent significant holding costs. The parcels in the District's benchmark components and most of the comparables are not encumbered by bonds. The exception is Comparable 10, which is encumbered by significant bond debt. We have established a present value amount for the bond encumbrance based on the annual assessment associated with these comparables. The present value amount is based on the annual assessment payment, a discount rate of 6.0% and the remaining term from the date of sale. The present value of bond (per acre) is estimated for the sale, after which it is adjusted to the subject on a dollar-for-dollar basis.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below-market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. Most of the comparable sales were cash to the seller transactions and do not require adjustments. Comparables 2 and 8 involved different amounts of seller financing which upwardly influenced the sale price. These comparables receive a slightly downward or downward adjustment, respectively.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

Comparables 7 and 8 were REO or short sale transactions. While these sales involved seller motivation, given market conditions at the time of sale for each, the sale prices reflected market pricing and do not warrant an adjustment.

Market Conditions

Market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a city, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment. The sales represent a time period of late 2012 to early 2015. Market conditions for transitional land have improved since 2012, with current

prices deemed similar for the period from mid 2013 to the present. Based on the above, Comparables 6 through 8 are adjusted upward.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

Location

Location adjustments are applied in consideration of income levels, home prices, and general community appeal. The comparables deemed to have inferior locations compared to the subject are adjusted upward, while those with superior locations are adjusted downward.

Entitlements

Entitlements for development are major hurdles to development in the current market, given growth limitations and the litigious nature of land development in California. Procurement and approval of an EIR and subsequent development agreement can often take several years, depending on the complexity of the project, location and sensitivity to surrounding land uses. Conversations with land developers, brokers and market participants, coupled with indications in the market, suggest there is a substantial enhancement to value of land when major entitlement obstacles are overcome, which may include an EIR, Financing Plan and development agreement. Benefits of the development agreement will often include an agreement for applicable permits and impact fees due for a proposed project. Properties with partially completed entitlements do not typically transfer in the market, since the entitlement approvals, once obtained, generally enhance value. In some instances—e.g. if development is not financially feasible or if a holding period is especially long—entitlement approvals may offer limited to no contributory value.

The entitlement status of the comparables is compared to the respective subject components and adjustments are applied accordingly.

Land Area (Acres)

We analyze the subject and comparables on a gross acre basis. Generally, there is an inverse relationship between parcel size and price per acre, such that larger parcels tend to sell for a lower price per acre than smaller parcels, all else being equal. We've considered the gross acreages and applied adjustments to the comparables. The comparables that are significantly smaller in size

relative to the subject's benchmark component require downward adjustments; the comparables that are significantly larger require upward adjustments.

Developable Area

Developable area has a direct impact on value and thus is adjusted for when comparing the data set to the respective subject benchmark components as warranted.

Development Timeline

For speculative properties, the anticipated development timeline or holding period significantly affects the purchase price. Longer holding periods generally contribute to lower prices per acre, while shorter holding periods contribute to higher prices per acre. Development timelines may hinge on remaining entitlements, necessary infrastructure and/or path of growth. The estimated development timeline of the comparables is compared to the respective subject components and adjusted accordingly.

Zoning

Typically, the first land use to develop in an emerging area is the residential components. Commercial and employment land uses are dependent on the completion of the homes in the project to create the demand for the commercial uses. We have adjusted the comparables when compared to the subject based on land use composition.

Adjustment Grids

Comparables 1 through 8 will be used in the valuation of the subject's Residential Benchmark component. Comparables 1, 6, and 8 include non-residential uses and therefore will be combined with comparables 9 through 11 and re-analyzed in the valuation of the subject's Commercial and Industrial Benchmark components. The grids on the following pages reflect the afore-discussed adjustments.

ADJUSTMENT GRID – RESIDENTIAL BENCHMARK COMPONENT

Elements of Comparison:	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7	Comparable 8
Price per Acre (Unadjusted)		\$81,081	\$133,333	\$86,682	\$31,479	\$109,290	\$69,607	\$39,422	\$62,377
Expenditures After Sale Adjustment	None	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Property Rights Adjustment	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms Adjustment	Cash Equiv.	Similar	50% Seller-Financed (SI Downward)	Similar	Similar	Similar	Similar	Similar	Seller-Financed (Downward)
Conditions of Sale Adjustment	Market	Contingencies (Downward)	Market	Market	Market	Market	Market	REO/Market	Short Sale/Market
Market Conditions Adjustment	Apr-15	Mar-15 (pending)	Sep-14	Jan-14	Dec-13	Aug-13	May-13 (Upward)	Mar-13 (Upward)	Oct-12 (Upward)
Physical Characteristics:									
Location Adjustment	Folsom	Folsom	Folsom	Folsom	Sacramento (Sig. Upward)	Sacramento County (SI. Upward)	Folsom	Folsom	Folsom
Entitlements Adjustment	Partial	Partial	Partial	Partial	Approved (SI. Downward)	Partial	Partial	Partial	Partial
Land Area (Gross Acres) Adjustment	449.09	703.00 (SI Upward)	30.00 (Sig. Downward)	124.19 (Downward)	146.13 (Downward)	128.10 (Downward)	430.99	681.48 (SI. Upward)	961.90 (Upward)
Developable Area Adjustment	75%	70%, Similar	85%, Superior (SI. Downward)	85%, Superior (SI. Downward)	80%, Similar	85%, Superior (SI. Downward)	75%, Similar	55%, Inferior (Upward)	72.5%, Similar
Development Timeline Adjustment	3 to 5 years	3 to 5 years	5 to 10 years (Upward)	3 to 5 years	3 to 5 years	3 to 5 years	3 to 5 years	3 to 5 years	3 to 5 years
Zoning Adjustment	Prim. Res. w/lin. Com	Prim. Res. w/lin. Ind (SI. Upward)	Residential (SI. Upward)	Residential (SI. Upward)	Residential (SI. Upward)	Residential (SI. Upward)	Prim. Res. w/lin. Com	Residential (SI. Upward)	Prim. Res. w/lin. Com
Net Adjustment		SI. Downward	Downward	SI. Downward	Sig. Upward	SI. Downward	Upward	Sig. Upward	Upward
Adjusted Price per Acre		< \$81,081	< \$133,333	< \$86,682	> \$31,479	< \$109,290	> \$69,607	> \$39,422	> \$62,377

ADJUSTMENT GRID – COMMERCIAL BENCHMARK COMPONENT

Elements of Comparison:	Subject	Comparable 1	Comparable 6	Comparable 8	Comparable 9	Comparable 10	Comparable 11
Price per Acre (Unadjusted)		\$81,081	\$69,607	\$62,377	\$43,560	\$112,261	\$28,511
Expenditures After Sale <i>Adjustment</i>	None	Similar	Similar	Similar	Similar	\$32,678	Similar
<i>Adjusted Price per Acre</i>		\$81,081	\$69,607	\$62,377	\$43,560	\$144,939	\$28,511
Property Rights <i>Adjustment</i>	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms <i>Adjustment</i>	Cash Equiv.	Similar	Similar	Seller-Financed (Downward)	Similar	Similar	Similar
Conditions of Sale <i>Adjustment</i>	Market	Contingencies (Downward)	Market	Short Sale/Market	Market	Market	Listing
Market Conditions <i>Adjustment</i>	Apr-15	Mar-15 (pending)	May-13 (Upward)	Oct-12 (Upward)	Early 2014	Sep-13	Apr-15
Physical Characteristics:							
Location <i>Adjustment</i>	Folsom	Folsom	Folsom	Folsom	Roseville	Lincoln (Sl. Upward)	Elk Grove (Sl. Upward)
Entitlements <i>Adjustment</i>	Partial	Partial	Partial	Partial	Partial	Approved (Sl. Downward)	None (Upward)
Land Area (Gross Acres) <i>Adjustment</i>	230.48	703.00 (Upward)	430.99 (Upward)	961.90 (Upward)	94.50 (Sl. Downward)	72.10 (Sl. Downward)	59.45 (Sl. Downward)
Developable Area <i>Adjustment</i>	100%	70%, Inferior (Upward)	75%, Inferior (Upward)	72.5%, Inferior (Upward)	80%, Inferior (Upward)	80%, Inferior (Upward)	80%, Inferior (Upward)
Development Timeline <i>Adjustment</i>	5 to 10 years	3 to 5 years (Downward)	3 to 5 years (Downward)	3 to 5 years (Downward)	5 to 10 years	1 to 2 years (Sig. Downward)	10 to 15 years (Upward)
Zoning <i>Adjustment</i>	Commercial	Prim. Res. w/lim. Ind (Upward)	Prim. Res. w/lim. Com (Sl. Upward)	Prim. Res. w/lim. Com (Sl. Upward)	Commercial	Commercial	Agricultural (Upward)
Net Adjustment		Upward	Upward	Upward	Upward	Sl. Downward	Sig. Upward
Adjusted Price per Acre		> \$81,081	> \$69,607	> \$62,377	> \$43,560	< \$144,939	> \$28,511

ADJUSTMENT GRID – INDUSTRIAL BENCHMARK COMPONENT

Elements of Comparison:	Subject	Comparable 1	Comparable 6	Comparable 8	Comparable 9	Comparable 10	Comparable 11
Price per Acre (Unadjusted)		\$81,081	\$69,607	\$62,377	\$43,560	\$112,261	\$28,511
Expenditures After Sale	None	Similar	Similar	Similar	Similar	\$32,678	Similar
<i>Adjustment</i>						\$32,678	
Adjusted Price per Acre		\$81,081	\$69,607	\$62,377	\$43,560	\$144,939	\$28,511
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
<i>Adjustment</i>							
Financing Terms	Cash Equiv.	Similar	Similar	Seller-Financed (Downward)	Similar	Similar	Similar
<i>Adjustment</i>							
Conditions of Sale	Market	Market (Downward)	Market	Short Sale/Market	Market	Market	Listing
<i>Adjustment</i>							
Market Conditions	Apr-15	Mar-15 (pending)	May-13 (Upward)	Oct-12 (Upward)	Early 2014	Sep-13	Apr-15
<i>Adjustment</i>							
Physical Characteristics:							
Location	Folsom	Folsom	Folsom	Folsom	Roseville	Lincoln (Sl. Upward)	Elk Grove (Sl. Upward)
<i>Adjustment</i>							
Entitlements	Partial	Partial	Partial	Partial	Partial	Approved (Sl. Downward)	None (Upward)
<i>Adjustment</i>							
Land Area (Gross Acres)	73.78	703.00 (Upward)	430.99 (Upward)	961.90 (Upward)	94.50	72.10	59.45
<i>Adjustment</i>							
Developable Area	75%	70%, Similar	75%, Similar	72.5%, Similar	80%, Similar	80%, Similar	80%, Similar
<i>Adjustment</i>							
Development Timeline	10 to 15 years	3 to 5 years (Sig. Downward)	3 to 5 years (Sig. Downward)	3 to 5 years (Sig. Downward)	5 to 10 years (Downward)	1 to 2 years (Sig. Downward)	10 to 15 years
<i>Adjustment</i>							
Zoning	Industrial	Prim. Res. w/lim. Ind (Downward)	Prim. Res. w/lim. Com (Downward)	Prim. Res. w/lim. Com (Downward)	Commercial (Downward)	Commercial (Downward)	Agricultural (Upward)
<i>Adjustment</i>							
Net Adjustment		Downward	Downward	Downward	Downward	Downward	Upward
Adjusted Price per Acre		< \$81,081	< \$69,607	< \$62,377	< \$43,560	< \$144,939	> \$28,511

Conclusion

A summary of the comparables' unadjusted ranges per gross acre, as well as the net adjustments is summarized in the following table. In addition, the table shows where the subject's benchmark components fit in with the comparables analyzed.

SUMMARY OF ADJUSTMENTS

Comparable #	Sale Date	\$/Acre (Unadjusted)	Net Adjustment
2	Sep-14	\$133,333	Downward
5	Aug-13	\$109,290	Sl. Downward
3	Jan-14	\$86,682	Sl. Downward
1	Mar-15	\$81,081	Sl. Downward
Subject: Residential Benchmark Component			
6	May-13	\$69,607	Upward
8	Oct-12	\$62,377	Upward
7	Mar-13	\$39,422	Sig. Upward
4	Dec-13	\$31,479	Sig. Upward
10	Sep-13	\$144,939	Sl. Downward
Subject: Commercial Benchmark Component			
1	Mar-15	\$81,081	Upward
6	May-13	\$69,607	Upward
8	Oct-12	\$62,377	Upward
9	Early 2014	\$43,560	Upward
11	Listing	\$28,511	Sig. Upward
10	Sep-13	\$144,939	Downward
1	Mar-15	\$81,081	Downward
6	May-13	\$69,607	Downward
8	Oct-12	\$62,377	Downward
9	Early 2014	\$43,560	Downward
Subject: Industrial Benchmark Component			
11	Listing	\$28,511	Upward

The wide disparity in the unadjusted range is attributable to the unique characteristics of each comparable. In valuing the residential benchmark component, primary emphasis is placed on Comparables 3 and 6 due to their similar characteristics with the benchmark. Less emphasis is placed on Comparable 1 as it is still pending and includes contingencies which may ultimately lead to a lower transaction price. In valuing the commercial benchmark component, the benchmark represents a premium retail location almost entirely devoted to commercial use. As such a value towards the upper end of the range is warranted. In valuing the industrial benchmark component, the benchmark has a balance of desirable and undesirable characteristics such as a high percentage of

developable area but a long development timeline. As such a value towards the middle of the range of indicators is warranted. Based on the above the benchmark components are valued as follows:

Primary Use Component	Acres	Percent Developable	Development Timeline	Indicated Value per Acre
Residential C	449.09	75	3-5 yrs	\$75,000
Commercial D1	230.48	100	3-5 yrs	\$100,000
Industrial B2	73.78	75	10-15 yrs	\$40,000

In determining the value for each of the District’s components the respective benchmark component is used as the initial indicator and qualitative adjustments are made to the indicated value for the components considering their percent developable, development timeline, and size relative to the representative benchmark. The below matrix displays each attribute as it has been qualitatively rated as more favorable or less favorable (in terms of market price), when compared to the relative benchmark. The comparisons are indicated by a “+” for more favorable, a “-” for less favorable, or a “=” for equivalent, compared to the benchmark. The impact on value represented by the comparison reference (i.e. + and -) denote direction and may vary in magnitude (i.e. downward or upward with a range of magnitude). The benchmark components are indicated with highlighting.

Component	Property Controlling Entity	Primary Use	Percent Developable		Development Timeline		Acres	+	Overall	+	Concluded Value per Acre
			Developable	+/-	Timeline	+/-					
E	Gragg Ranch Recovery Acquisition, LLC	Residential	85	+	3-5 yrs	=	138.86	+	+		\$85,000
A2	Westland Capital Partners, L.P.	Residential	80	+	3-5 yrs	=	520.66	-	+		\$80,000
G	Arcadian Heights, LLC	Residential	70	-	3-5 yrs	=	12.99	+	+		\$80,000
C	TNHC Russell Ranch, LLC	Residential	75	=	3-5 yrs	=	449.09	=	=		\$75,000
B1	Aerojet Rocketdyne Inc. (GenCorp)	Residential	70	-	5-10 yrs	-	634.87	-	-		\$70,000
A1	Westland Capital Partners, L.P.	Residential	55	-	5-10 yrs	-	1,152.77	-	-		\$60,000
D1	Eagle Commercial Partners, LLC (PCCP, LLC)	Commercial	100	=	3-5 yrs	=	230.48	=	=		\$100,000
F	Elliott Homes Inc.	Commercial	75	-	3-5 yrs	-	37.08	+	-		\$70,000
B2	Easton Development Co., LLC (GenCorp)	Industrial	75	=	10-15 yrs	=	73.78	=	=		\$40,000
D2	Eagle Office Properties, LLC (PCCP, LLC)	Industrial	50	-	10-15 yrs	-	97.96	-	-		\$30,000
							Total: 3,348.54				

The following table displays the District’s components, the indicated value per acre, and the applicable value for each component, as derived, by multiplying the indicated value per acre by the component’s total acres.

Component	Property Controlling Entity	Acres	Primary Use	Percent Developable	Development Timeline	Indicated Value per Acre	Indicated Value
A1	Westland Capital Partners, L.P.	1,152.77	Residential	55	5-10 yrs	\$60,000	\$69,166,200
	<i>Easton Valley Holdings, LLC</i>	<i>340.09</i>					
	<i>Folsom Real Estate South, LLC</i>	<i>470.39</i>					
	<i>West Prairie Estate, LLC</i>	<i>239.53</i>					
	<i>West Scott Road, LLC</i>	<i>72.76</i>					
	<i>J & Z Property, LLC</i>	<i>30.00</i>					
A2	Westland Capital Partners, L.P.	520.66	Residential	80	3-5 yrs	\$80,000	<u>\$41,652,800</u>
	<i>Folsom Real Estate South, LLC</i>	<i>192.19</i>					
	<i>Mangini North Holdings, LLC</i>	<i>103.74</i>					
	<i>White Rock Land Investors, LLC</i>	<i>122.87</i>					
	<i>Carpenter East, LLC</i>	<i>101.86</i>					
<i>Westland Capital Entities Subtotal</i>							\$110,819,000
B1	Aerojet Rocketdyne Inc. (GenCorp)	634.87	Residential	70	5-10 yrs	\$70,000	\$44,440,900
B2	Easton Development Co., LLC (GenCorp)	73.78	Industrial	75	10-15 yrs	\$40,000	<u>\$2,951,200</u>
<i>GenCorp Subtotal</i>							\$47,392,100
C	TNHC Russell Ranch, LLC	449.09	Residential	75	3-5 yrs	\$75,000	\$33,681,600
D1	Eagle Commercial Partners, LLC (PCCP, LLC)	230.48	Commercial	100	3-5 yrs	\$100,000	\$23,048,000
D2	Eagle Office Properties, LLC (PCCP, LLC)	97.96	Industrial	50	10-15 yrs	\$30,000	<u>\$2,938,800</u>
<i>PCCP, LLC Subtotal</i>							\$25,986,800
E	Gragg Ranch Recovery Acquisition, LLC	138.86	Residential	85	3-5 yrs	\$85,000	\$11,802,845
F	Elliott Homes Inc.	37.08	Commercial	75	3-5 yrs	\$70,000	\$2,595,600
G	Arcadian Heights, LLC	12.99	Residential	70	3-5 yrs	\$80,000	\$1,039,200
Total: 3,348.54							Sum (Rd.) \$233,320,000

The above indicated values represent our opinion of value for each component of the District. The market value of the District as a whole is not equivalent to the aggregate (cumulative) value above, but only the sum of the market values, by ownership.

CONCLUSION OF VALUE

As a result of our analysis, it is our opinion the market value for each component of the District, in accordance with the extraordinary assumptions and limiting conditions on pages 6 through 8, as of the indicated date of value (April 16, 2015), is:

Component	Property Controlling Entity	Indicated Value		
		Acres	per Acre	Indicated Value
A1	Westland Capital Partners, L.P.	1,152.77	\$60,000	\$69,166,200
	<i>Easton Valley Holdings, LLC</i>	<i>340.09</i>		
	<i>Folsom Real Estate South, LLC</i>	<i>470.39</i>		
	<i>West Prairie Estate, LLC</i>	<i>239.53</i>		
	<i>West Scott Road, LLC</i>	<i>72.76</i>		
	<i>J & Z Property, LLC</i>	<i>30.00</i>		
A2	Westland Capital Partners, L.P.	520.66	\$80,000	<u>\$41,652,800</u>
	<i>Folsom Real Estate South, LLC</i>	<i>192.19</i>		
	<i>Mangini North Holdings, LLC</i>	<i>103.74</i>		
	<i>White Rock Land Investors, LLC</i>	<i>122.87</i>		
	<i>Carpenter East, LLC</i>	<i>101.86</i>		
	<i>Westland Capital Partners, L.P. Subtotal</i>			\$110,819,000
B1	Aerojet Rocketdyne Inc. (GenCorp)	634.87	\$70,000	\$44,440,900
B2	Easton Development Co., LLC (GenCorp)	73.78	\$40,000	<u>\$2,951,200</u>
			<i>GenCorp Subtotal</i>	\$47,392,100
C	TNHC Russell Ranch, LLC	449.09	\$75,000	\$33,681,600
D1	Eagle Commercial Partners, LLC (PCCP, LLC)	230.48	\$100,000	\$23,048,000
D2	Eagle Office Properties, LLC (PCCP, LLC)	97.96	\$30,000	<u>\$2,938,800</u>
			<i>PCCP, LLC Subtotal</i>	\$25,986,800
E	Gragg Ranch Recovery Acquisition, LLC	138.86	\$85,000	\$11,802,845
F	Elliott Homes Inc.	37.08	\$70,000	\$2,595,600
G	Arcadian Heights, LLC	12.99	\$80,000	\$1,039,200
Total:		3,348.54		Sum (Rd.) \$233,320,000

The market value of the District as a whole is not equivalent to the aggregate (cumulative) value above, but only the sum of the market values, by ownership.

EXPOSURE AND MARKETING TIME

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the Glossary of Terms in the Appendix.

In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. The real estate market in the subject's region has stabilized. Based on a survey of market participants, a transfer of transitional land in the region typically occurs within 12 months of exposure. It is estimated the exposure time for each of the subject's components (individually), if appropriately priced, would be within 12 months, when not marketed concurrently.

APPENDIX

A – GLOSSARY OF TERMS

GLOSSARY OF TERMS

Unless otherwise noted, the following definitions are from The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Aggregate of Retail Values (ARV): The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent an opinion of value; it is simply the total of multiple market value conclusions.

As Is Market Value: The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Band of Investment: A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

Bulk (Discounted) Value: The most probable price, in a sale of all parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under stress. (Appraisal Standards For Land-Secured Financing, California Department Advisory Commission, 1994)

Comparative-Unit Method: A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area.

Cost Approach: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Depreciation: In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Direct Capitalization: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only a single year's income is used. Yield and value changes are implied but not identified.

Discounted Cash Flow (DCF) Analysis: The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Discount Rate: A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*.

Disposition Value: The most probable price that a specified interest in real property should bring under the following conditions: 1) consummation of a sale within a future exposure time specified by the client; 2) the property is subjected to market conditions prevailing as of the date of valuation; 3) both the buyer and seller are acting prudently and knowledgeably; 4) the seller is under compulsion to sell; 5) the buyer is typically motivated; 6) both parties are acting in what they consider to be their best interests; 7) an adequate marketing effort will be made during the exposure time specified by the client; 8) payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; 9) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Easement: The right to use another's land for a stated purpose.

Environmental Contamination: Adverse environmental conditions resulting from the release of hazardous substances into the air, surface water, groundwater or soil. Generally, the concentrations of these substances would exceed regulatory limits established by the appropriate federal, state, and/or local agencies. (USPAP 2014-2015 Edition)

Exposure Time: Estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (USPAP 2014-2015 Edition)

External Obsolescence: An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant.

Extraction: A method of estimating land value in which the depreciated cost of the improvements on the improved property is

calculated and deducted from the total sale price to arrive at an estimated sale price for the land.

Extraordinary Assumption: An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. (USPAP 2014-2015 Edition)

Fair Market Value: The highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. (California Code of Civil Procedure, Section 1263.320(a))

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR): The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Functional Obsolescence (Incurable): An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected.

Highest and Best Use: The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four

criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

Highest and Best Use of Property as

Improved: The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Highest and Best Use of Land or a Site as though Vacant:

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

Hypothetical Condition: A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. (USPAP 2014-2015 Edition)

Income Capitalization Approach: A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

Leased Fee Interest: A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship.

Leasehold Interest: The tenant's possessory interest created by a lease. (Negative leasehold: A lease situation in which the market rent is less than the contract rent. Positive leasehold: A lease situation in which the market rent is greater than the contract rent.)

Liquidation Value: See *Disposition Value*.

Marketing Time: An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Neighborhood: A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

Obsolescence: One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external.

Prospective Opinion of Value: A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Quantity Survey Method: A cost-estimating method in which the quantity and quality of all materials used and all categories of labor required are estimated and unit cost figures are applied to arrive at a total cost estimate for labor and materials.

Replacement Cost: The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.

Reproduction Cost: The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Sales Comparison Approach: The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Site Coverage Ratio: The gross area of the building footprint divided by the site area.

Stabilized Occupancy: An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent.

Subdivision Development Method: A method of estimating land value when subdivision development is the highest and best use of the parcel of land being appraised. When all direct and indirect costs and

entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots (or residences), the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the land.

Superadequacy: An excess in the capacity or quality of a structure or structural component; determined by market standards.

Unit-In-Place Method: A cost-estimating method in which total building cost is estimated by adding together the unit costs for the various building components as installed; also called the *segregated cost method*.

Yield Capitalization: A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.

Yield Rate: A rate of return on capital, usually expressed as a compound annual percentage rate. A yield rate considers all expected property benefits, including the proceeds from sale at the termination of the investment.

B – QUALIFICATIONS OF APPRAISER(S)



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Jordan
Ziegenmeyer

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Kevin K. Ziegenmeyer, MAI, Partner

Introduction

Mr. Ziegenmeyer is a partner with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation.

Professional Affiliations

Appraisal Institute – MAI Designation

Certified General Real Estate Appraiser - State of California (No. AG013567)

Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

(continued on next page.....)



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(.....continued from previous page)

2005 Annual Fall Conference
General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Appraisal Experience

General-purpose:

Offices
Retail
Industrial
Apartments
Subdivisions
Land

Special-purpose:

Athletic Clubs
Churches
Educational Facilities
Restaurants
Assisted-living Facilities
Auto Sales and Service
Lodging Facilities



Sample of Appraisal Experience

Hunters Point Shipyard – Phase I
San Francisco, San Francisco County, California

This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.

City of San Mateo Community Facilities District No.
2008-1 (Bay Meadows)
San Mateo, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 52± developable acres proposed for the development of 724,225 square feet of office space, approximately 85,374 square feet of retail space and 1,121 residential housing units, with 832 residential housing units being developed on the residential land component and the balance (289 units) to be developed as part of the mixed-use component. The report was prepared for the City of San Mateo Department of Finance.

City of Redwood City Community Facilities District
No. 2010-1 (One Marina)
Redwood City, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 16.62± acres proposed for the construction of 231 townhome and flat-style residential units within 24 detached buildings. The report was prepared for the City of Redwood City Department of Finance.

County of San Joaquin Community Facilities District
No. 2009-2 (Vernalis Interchange)
Vernalis, San Joaquin County, California

This assignment involved the appraisal of approximately 3,457.41 gross acres of land comprising 40 separate Assessor's parcels devoted to (or intended for) aggregate mining operations by six independent mining operators, including Teichert, West Coast Aggregates, Granite, Knife River, DeSilva Gates and Cemex. The summary appraisal was completed for bond financing purposes, with the proceeds intended to finance the construction of a new interchange on State Route 132 at Bird Road, which is intended to enhance traffic operation safety at this intersection. This report was prepared for the County of San Joaquin.



Sample of Appraisal Experience (continued)

Bickford Ranch Community Facilities District No.
2003-1
Placer County, California

The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.

El Dorado Hills Community Facilities District No. 1992-1 (portion)
El Dorado County, California

This assignment involved the hypothetical cumulative or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.

Community Facilities District No. 16
West Sacramento, California

This project involved the valuation of Bridgeway Lakes, a high-end 609-lot single-family residential community located in the Southport area of West Sacramento. Lot densities within the project varied from low and medium density to rural estate lots. This report was prepared for the City of West Sacramento.

Community Facilities District No. 17
West Sacramento, California

This assignment concerned the valuation of 252 single-family lots and 252 proposed multifamily units comprising the Parella residential community in the Southport area of West Sacramento. This report was prepared for the City of West Sacramento.

Diablo Grande Community Facilities District No. 1 (Series 2002)
Stanislaus County, California

The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared for Western Hills Water District.

Plumas Lake Community Facilities District No. 2002-1
Yuba County, California

This appraisal included the valuation of a portion of the proposed, and partially improved, Plumas Lake Specific Plan area, and comprised 3,314 detached single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the Olivehurst Public Utility District.



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Rocklin, California 95765

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Sample of Appraisal Experience (continued)

Brentwood Assessment District No. 2003-1
Brentwood, Contra Costa County, California

This assignment involved the valuation of an assessment district containing commercial and residential components comprising 5.66 acres of commercial land, 882 single-family residential lots and 15.8 acres of multifamily land. The appraisal was used for bond underwriting purposes and was prepared for the City of Brentwood.

Patterson Gardens & Keystone Pacific Business Park
Patterson, Stanislaus County, California

This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.

Syrah Condominiums
Sacramento, Sacramento County, California

Syrah is a proposed 245-unit residential condominium development with dual phase valuations. This report was prepared for KeyBank.



Business, Consumer Services & Housing Agency
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Kevin K. Ziegenmeyer

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2015

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Jim Martin, Bureau Chief, BREA

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Eric A. Segal, Partner

Introduction

Mr. Segal is a Certified General real estate appraiser with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for SJZ. By 1999, he began writing narrative appraisal reports covering a variety of income properties. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, Mello-Roos and Assessment Districts, and residential subdivisions. He has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Professional Affiliations

Candidate for MAI Designation – Appraisal Institute
Certified General Real Estate Appraiser – State of California (No. AG026558)
Real Estate Appraiser - Certified General – State of Nevada (No. A.0207066-CG)

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Appraisal Litigation Practice and Courtroom Management
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications



Sample of Appraisal Experience

Hunters Point Shipyard – Phase I
San Francisco, San Francisco County, California

This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.

City of San Mateo Community Facilities District No.
2008-1 (Bay Meadows)
San Mateo, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 52± developable acres proposed for the development of 724,225 square feet of office space, approximately 85,374 square feet of retail space and 1,121 residential housing units, with 832 residential housing units being developed on the residential land component and the balance (289 units) to be developed as part of the mixed-use component. The report was prepared for the City of San Mateo Department of Finance.

City of Redwood City Community Facilities District
No. 2010-1 (One Marina)
Redwood City, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 16.62± acres proposed for the construction of 231 townhome and flat-style residential units within 24 detached buildings. The report was prepared for the City of Redwood City Department of Finance.

County of San Joaquin Community Facilities District
No. 2009-2 (Vernalis Interchange)
Vernalis, San Joaquin County, California

This assignment involved the appraisal of approximately 3,457.41 gross acres of land comprising 40 separate Assessor's parcels devoted to (or intended for) aggregate mining operations by six independent mining operators, including Teichert, West Coast Aggregates, Granite, Knife River, DeSilva Gates and Cemex. The summary appraisal was completed for bond financing purposes, with the proceeds intended to finance the construction of a new interchange on State Route 132 at Bird Road, which is intended to enhance traffic operation safety at this intersection. This report was prepared for the County of San Joaquin.



Sample of Appraisal Experience (continued)

HUD 223(f) Apartment Portfolio
San Francisco, San Francisco County, California

This appraisal assignment involved the appraisal of nine multifamily properties in San Francisco containing between seven and 50 units, as well as mixed-use properties including ground floor retail tenants. The self-contained appraisals were completed in compliance with Federal regulatory requirements and guidelines that may apply as well as the requirements of the Federal Housing Administration (FHA) MAP Program for a 223(f) Refinance. This report was prepared for Column Guaranteed, LLC.

The Parkway & Quinto Ranch
Santa Nella, Merced County, California

This appraisal involved the valuation of a 1,464-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 1,644-acre ranch subject to a conservation easement. This report was prepared for IndyMac Bank.

Reclamation District No. 17 – Mossdale Tract
(portion)
County of San Joaquin, California

The appraised properties represented a portion of Reclamation District No. 17 identified as vacant residential, vacant commercial and vacant industrial land, and excluded those properties within the boundaries of the District zoned as agricultural and public use, and those properties with an assessed improvement value on the most recent property tax roll. Reclamation District No. 17 (Mossdale Tract) is located in San Joaquin County and contains approximately 16,107.58 acres of land comprising approximately 13,335 assessor's parcels. This report was prepared for Reclamation District No. 17.

Bickford Ranch Community Facilities District No.
2003-1
Placer County, California

The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.

El Dorado Hills Community Facilities District No.
1992-1 (portion)
El Dorado County, California

This assignment involved the hypothetical cumulative, or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.



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Sample of Appraisal Experience (continued)

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Jim Martin, Bureau Chief, BREA

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