

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, 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 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 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. 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 Bonds. See "TAX MATTERS" herein.

\$5,770,000
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
SPECIAL TAX BONDS, SERIES 2018

Dated: Delivery Date

Due: September 1, as shown on the inside cover page

This Official Statement describes bonds that are being issued by the City of Folsom (the "City") with respect to Improvement Area No. 1 ("Improvement Area No. 1") of the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) (the "District"). The City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds, Series 2018 (the "Bonds") are being issued by the City to (a) pay the cost and expense of the acquisition and construction of certain public facilities and to finance certain governmental fees required in connection with the development of Improvement Area No. 1, (b) fund a reserve fund securing the Bonds, and (c) pay costs of issuance of the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California), and pursuant to a Master Indenture, dated as of March 1, 2018 as supplemented by a First Supplemental Indenture dated as of March 1, 2018, each by and between the City and MUFG Union Bank, N.A., as trustee (the "Trustee") (collectively, the "Indenture").

The Bonds are special limited obligations of the City and are payable solely from the proceeds of the Special Tax (as defined in this Official Statement) levied on taxable property within Improvement Area No. 1 and from certain other funds pledged under the Indenture, all as further described in this Official Statement. The Special Tax will be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within Improvement Area No. 1. See "SOURCES OF PAYMENT FOR THE BONDS." Special taxes levied in Improvement Area No. 2 of the District are not pledged to and are not available to pay debt service on the Bonds.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in integral multiples of \$5,000 and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing September 1, 2018. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described in this Official Statement. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and APPENDIX H — "BOOK-ENTRY ONLY SYSTEM."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF FOLSOM, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX LEVIED ON TAXABLE PROPERTY IN IMPROVEMENT AREA NO. 1 AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

The Bonds are subject to optional redemption, extraordinary redemption from Special Tax prepayments and mandatory sinking fund redemption prior to maturity as set forth in this Official Statement. See "THE BONDS — Redemption."

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE CITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and subject to certain other conditions. Certain legal matters will be passed on for the City by the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about March 15, 2018.

Hilltop Securities

Dated: March 1, 2018

\$5,770,000
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
SPECIAL TAX BONDS, SERIES 2018
MATURITY SCHEDULE

Base CUSIP No.*: 344402

\$2,650,000 Serial Bonds

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.*</i>
2018	\$ 70,000	2.000%	1.440%	100.256%	QG0
2019	35,000	2.000	1.570	100.618	QH8
2020	40,000	2.000	1.770	100.551	QJ4
2021	45,000	2.000	2.070	99.766	QK1
2022	55,000	2.000	2.330	98.609	QL9
2023	60,000	2.250	2.570	98.378	QM7
2024	65,000	3.250	2.780	102.761	QN5
2025	75,000	3.250	2.950	101.995	QP0
2026	85,000	3.500	3.100	102.956	QQ8
2027	95,000	3.500	3.240	102.103	QR6
2028	105,000	3.500	3.410	100.785	QS4
2029	115,000	3.250	3.570	97.010	QT2
2030	125,000	3.400	3.680	97.220	QU9
2031	135,000	3.500	3.730	97.582	QV7
2032	145,000	3.500	3.760	97.118	QW5
2033	155,000	3.625	3.810	97.852	QX3
2034	170,000	3.625	3.860	97.155	QY1
2035	185,000	3.750	3.900	98.111	QZ8
2036	200,000	3.750	3.930	97.651	RA2
2037	215,000	3.750	3.950	97.300	RB0
2038	230,000	3.875	3.960	98.814	RC8
2039	245,000	3.875	3.980	98.492	RD6

\$3,120,000 Term Bonds

\$1,165,000 4.000% Term Bonds due September 1, 2043, Yield: 4.040% Price: 99.366% CUSIP No.* 344402RE4

\$1,955,000 4.000% Term Bonds due September 1, 2048, Yield: 4.090% Price: 98.439% CUSIP No.* 344402RF1

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CITY OF FOLSOM

CITY COUNCIL

Stephen E. Miklos, Mayor
Ernie Sheldon, Vice Mayor
Roger Gaylord III, Councilmember
Kerri Howell, Councilmember
Andrew J. Morin, Councilmember

ADMINISTRATIVE OFFICERS

Evert Palmer, City Manager
James Francis, Finance Director
Christa Freemantle, City Clerk
Steven Wang, Esq., City Attorney

PROFESSIONAL SERVICES

Bond Counsel
Orrick, Herrington & Sutcliffe LLP

Municipal Advisor
Fieldman, Rolapp & Associates, Inc.

Trustee
MUFG Union Bank, N.A.

Special Tax Consultant
NBS

Appraiser
Integra Realty Resources

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City. No dealer, broker, salesperson or other person has been authorized by the City, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those 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 the City, the Trustee or the Underwriter. 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City. The information and expressions of opinion in this Official Statement 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 City or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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 a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "IMPROVEMENT AREA NO. 1" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

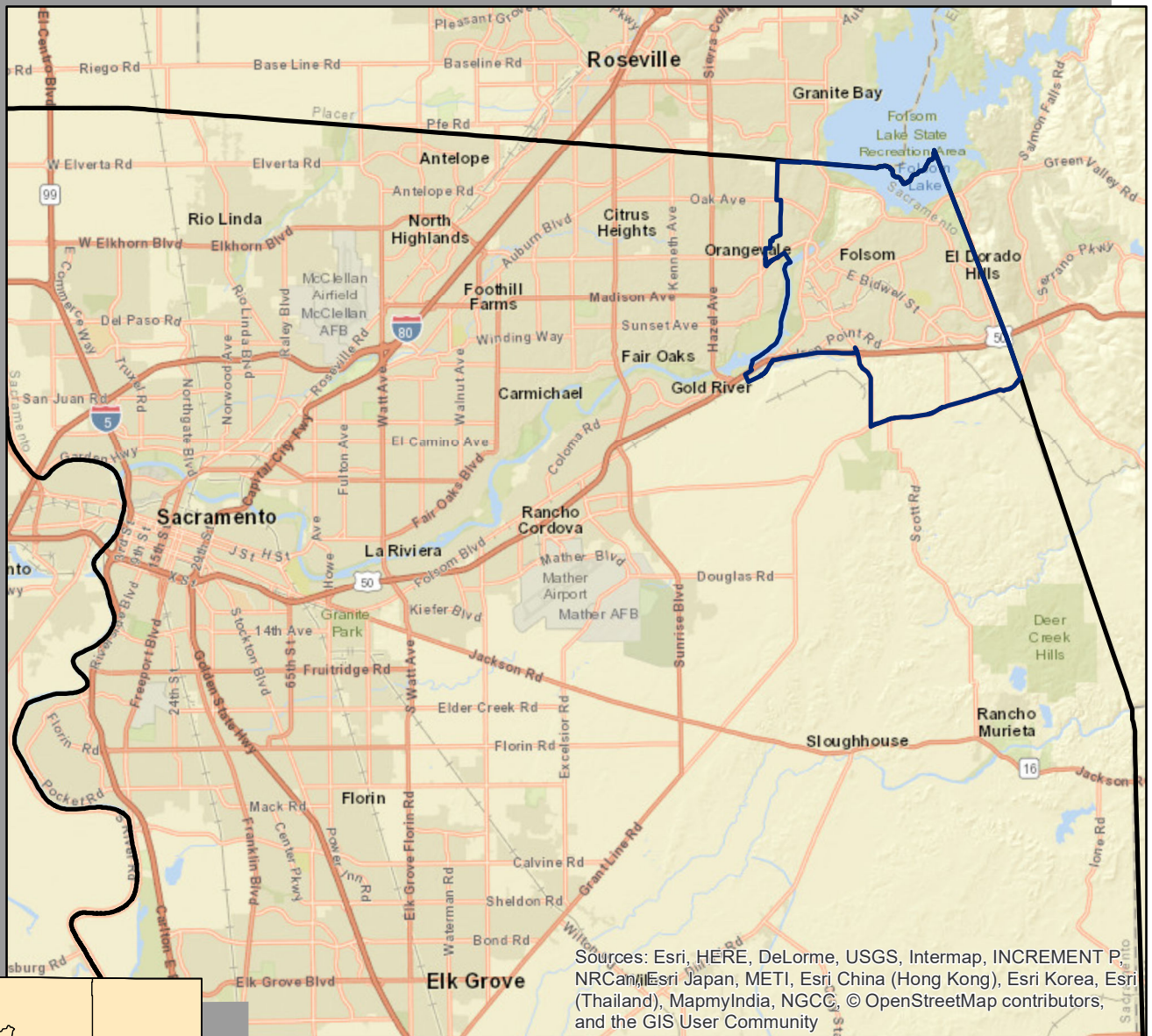
THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 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 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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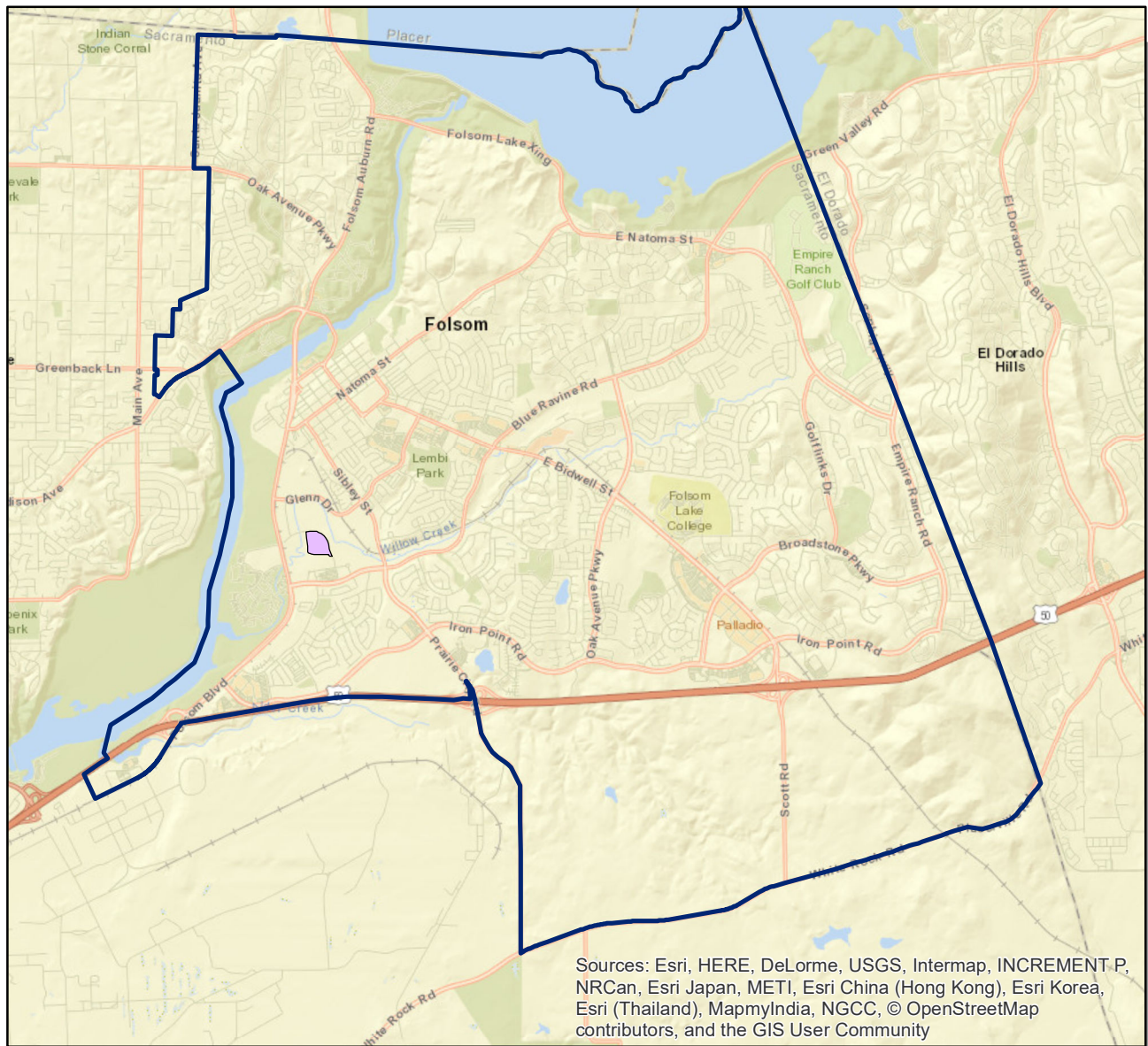
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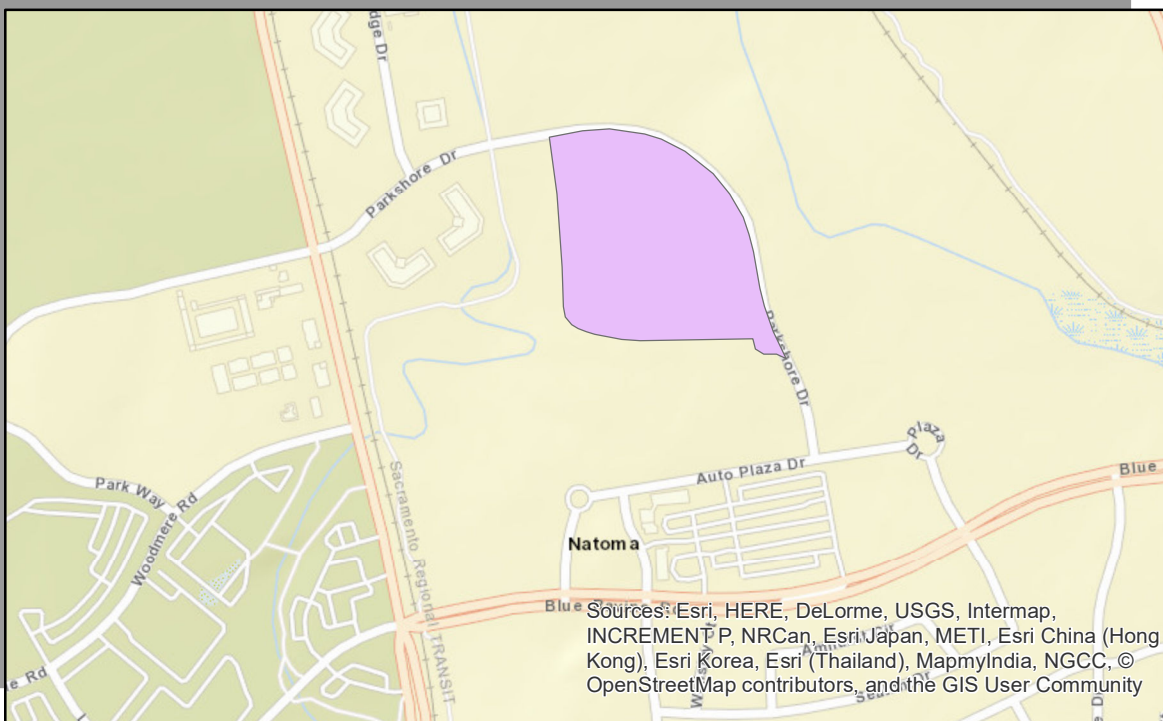
Regional Context



State Wide Context



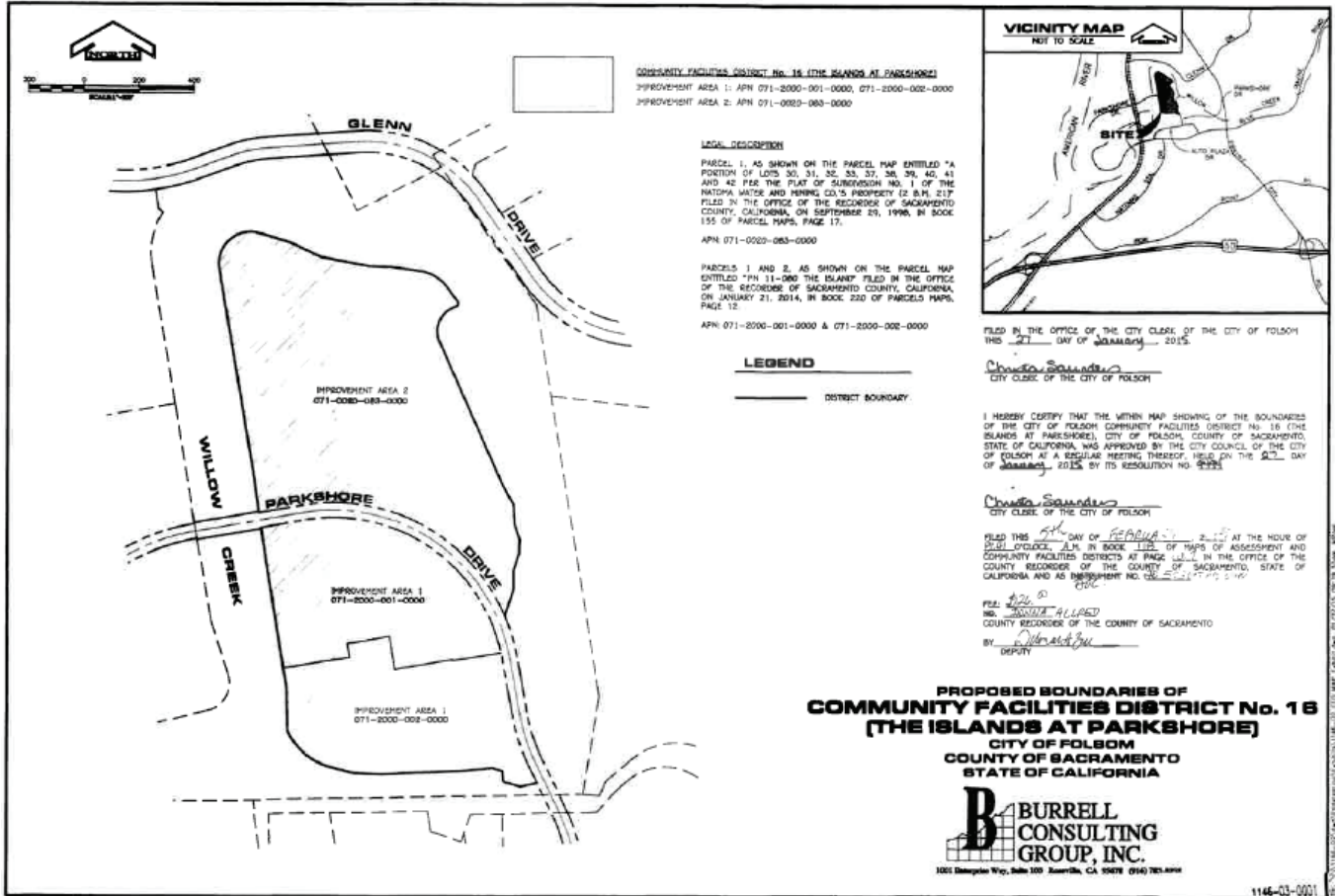
City Context



CFD 16 IA-1

**CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)**

BOUNDARY MAP



**CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1**

NORTHWEST FACING AERIAL VIEW, JANUARY 23, 2018



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\$5,770,000
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
SPECIAL TAX BONDS, SERIES 2018

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the City of Folsom (the “City”) of City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds, Series 2018 (the “Bonds”) in the aggregate principal amount of \$5,770,000. The proceeds of the Bonds will be used to (a) pay the cost and expense of the acquisition and construction of certain public facilities and to finance certain governmental fees required in connection with the development of Improvement Area No. 1, (b) fund a reserve fund securing the Bonds, and (c) pay costs of issuance of the Bonds. See “THE FINANCING PLAN — Estimated Sources and Uses of Funds.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to a Master Indenture, dated as of March 1, 2018 as supplemented by a First Supplemental Indenture dated as of March 1, 2018, each by and between the City and MUFG Union Bank, N.A., as trustee (the “Trustee”) (collectively, the “Indenture”).

The Bonds are secured under the Indenture by a pledge of and lien upon the proceeds of the Special Tax (as defined in this Official Statement) levied on taxable property within Improvement Area No. 1 of the District (“Improvement Area No. 1”) and all amounts held in the Special Tax Fund, the Bond Redemption Fund and the related subaccount of the Bond Reserve Fund (the “Series 2018 Bond Reserve Subaccount”). See “SOURCES OF PAYMENT FOR THE BONDS.” Special taxes levied in Improvement Area No. 2 of the District are not pledged to and are not available to pay debt service on the Bonds.

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold pursuant to a Bond Purchase Agreement between the Underwriter and the City. See “THE BONDS — General Provisions.”

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions.”

Improvement Area No. 1

General. Improvement Area No. 1 consists of approximately 15.53 gross acres and is located in the western portion of the City, north of Blue Ravine Road and east of Folsom Boulevard, and is situated on Parkshore Drive. Within Improvement Area No. 1, 147 single family residential parcels are expected to be subject to the Special Tax (as defined in this Official Statement) at buildout. The property within Improvement Area No. 1 that is not subject to the levy of the Special Tax consists of public rights of way and parks, including landscape corridors. Woodside 05N, LP, a California limited partnership (“Woodside”) is the merchant builder for Improvement Area No. 1 and currently owns all Taxable Property in Improvement Area No. 1 that has not been conveyed to individual homeowners. Lewis Land Developers, LLC (the “Developer”), is the master developer of the land within the District and together with Woodside constructed or provided for the construction of the necessary improvements. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Formation Proceedings. The District was formed by the City pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities, development-related fees, and services. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the 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.

Pursuant to the Act, the City Council undertook proceedings to form the District, designating Improvement Area No. 1 and Improvement Area No. 2 therein, and called an election to authorize the incurring of bonded indebtedness and authorize the levy of special taxes within the District. On March 10, 2015, elections were held within Improvement Area No. 1 and Improvement Area No. 2 of the District at which the eligible voters in each improvement area approved the levy of special taxes in accordance with the respective Rate and Method of Apportionment of Special Tax for such improvement area. The Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 is attached hereto as APPENDIX A (the "Rate and Method"). In addition, the eligible voters in Improvement Area No. 1 authorized the issuance of bonds in an amount not to exceed \$6,000,000 for Improvement Area No. 1. Pursuant to the Act and a petition of more than 25% of the owners of land within each designated improvement area, the City Council conducted further proceedings to amend the facilities authorized to be financed by the District, which proceedings were approved by the eligible voters of each improvement area on September 8, 2015.

A Notice of Special Tax Lien was recorded in the office of the Clerk Recorder of the County of Sacramento (the "County") on March 11, 2015, in Book No. 2015033 on Page No. 0513. On March 24, 2015, the City Council adopted Ordinance No. 1221 (the "Ordinance"), which authorizes the levy of the Special Tax pursuant to the Rate and Method. An Amended Notice of Special Tax Lien reflecting the modified facilities was recorded in the office of the Clerk Recorder of the County on December 9, 2015, in Book No. 20151209 on Page No. 0424.

Property Ownership and Development Status

Construction of improvements in Improvement Area No. 1 commenced in 2015. All of the property within Improvement Area No. 1 has been graded and all backbone and in-tract infrastructure necessary to complete the development as currently planned in Improvement Area No. 1 has been completed. Final maps for all of the property within Improvement Area No. 1 have been recorded, with the final map for Phase 1A of Improvement Area No. 1 consisting of 77 single family residential lots recorded on May 4, 2015, and the final map for Phase 1B recorded on December 18, 2015, creating the remaining 70 residential lots.

As of May 1, 2017 (May 1 being the date established in the Rate and Method for the determination of a taxing category in the subsequent Fiscal Year), 100 parcels within Improvement Area No. 1 constitute "Developed Property", meaning that building permits had been obtained for such parcels by such date. Parcels classified as Developed Property for the Fiscal Year 2017-18 Facilities and Maintenance Special Tax levy include completed homes occupied by homeowners and homes under construction. The Facilities and Maintenance Special Tax levy allocable to Developed Property represents approximately 98% of the total projected Fiscal Year 2017-18 Facilities and Maintenance Special Tax levy. The remaining Taxable Property in Improvement Area No. 1 was taxed as "Undeveloped Property" in Fiscal Year 2017-18, meaning that no building permits had been obtained for such parcels as of May 1, 2017. The Facilities and Maintenance Special Tax levy for Fiscal Year 2017-18 allocable to Undeveloped Property represents approximately 2% of the levied Facilities and Maintenance Special Tax for such Fiscal Year.

Integra Realty Resources (the "Appraiser") has prepared an appraisal report (the "Appraisal Report") appraising the value of the Taxable Property, dated January 19, 2018, which estimates the value of the Taxable Property as of January 2, 2018 (the "Date of Value"). The Appraisal Report is attached to this Official Statement as APPENDIX B. The Appraisal Report estimates only the value of existing parcels in Improvement Area No. 1 that are to be subject to the lien of Special Tax and that have not been assigned a structure value on the County's assessor's tax roll (collectively, the "Appraised Parcels"). The Appraisal Report reflects that as of the Date of Value, 95 of the proposed 147 single family residential lots in Improvement Area No. 1 had been conveyed to individual homeowners. As of February 15, 2018, Woodside has conveyed a total of 102 parcels to individual homeowners; Woodside owned the remaining 45 parcels and had obtained all building permits for such parcels.

See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions “IMPROVEMENT AREA NO. 1,” “PROPERTY OWNERSHIP AND THE DEVELOPMENT” and APPENDIX B — “APPRAISAL REPORT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

General. The Bonds and any bonds issued and secured by and payable from the proceeds of the Special Tax on a parity with the Bonds for the purpose of refunding bonds (the “Parity Bonds”) are limited obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Special Tax to be levied annually against the taxable property in Improvement Area No. 1, or, to the extent necessary and subject to the conditions set forth in the Indenture, from the monies on deposit in the Series 2018 Bond Reserve Subaccount. As described in this Official Statement, the Special Tax will be collected along with ad valorem property taxes on the tax bills mailed by the County. Although the Special Tax constitutes a lien on the property subject to taxation in Improvement Area No. 1, it does not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Tax or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for the Special Tax, no other taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general obligations of the City but are special limited obligations of the City payable solely from the proceeds of the Special Tax and other amounts held under the Indenture as more fully described herein.

Special Tax. As used in this Official Statement, the term “Special Tax” means the taxes which have been authorized pursuant to the Act to be levied against Taxable Property (as defined in the Indenture) within Improvement Area No. 1 (including Special Taxes levied for services and Special Taxes levied for facilities) under and pursuant to the Act and in accordance with the Rate and Method. See “SOURCES OF PAYMENT FOR THE BONDS — Special Tax” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Indenture, the City will pledge to repay the Bonds and any Parity Bonds from the proceeds of the Special Tax on deposit in the Special Tax Fund established under the Indenture.

The Special Tax is the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Tax is not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the City in the Special Tax Fund and the amounts held in the Series 2018 Bond Reserve Subaccount, and the Bond Redemption Fund held by the Trustee under the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS.”

Foreclosure Covenant. The City will covenant in the Indenture to, annually on or before September 1 of each year, review the public records of the County 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 total amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in such Fiscal Year, the City will within 60 days thereafter institute foreclosure proceedings as authorized by the Act to enforce the lien of the delinquent installments of such Special Tax against each lot or parcel of land, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale in accordance with the Act; provided that irrespective of the foregoing if the City determines on the basis of such review that property owned by any single property owner 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 previously described against such property owner.

See “SOURCES OF PAYMENT FOR THE BONDS — Special Tax —*Foreclosure Covenant*” herein and APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens.” There is no assurance that the property within Improvement Area No. 1 can be sold for the appraised or assessed values described in this Official Statement and in the Appraisal Report, or for a price sufficient to provide monies to pay the principal of and interest on the Bonds in the event of a default in payment of the Special Tax by current or future landowners within Improvement Area No. 1. See “SPECIAL RISK FACTORS — Land Values and Appraisal Risk” and APPENDIX B — “APPRAISAL REPORT.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF FOLSOM, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Parity Bonds and Liens. Under the terms of the Indenture, the City may issue additional bonds secured by the proceeds of the Special Tax on a parity with the Bonds to refund bonds if certain conditions are met. See “SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds.” Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Holders. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Tax have been levied and may also be levied in the future on the property within Improvement Area No. 1, which could adversely affect the ability and willingness of the landowners to pay the Special Tax when due. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments.”

Appraisal Report

The Appraiser has prepared the Appraisal Report which estimates the value of the Taxable Property as of Date of Value. The Appraisal Report is attached to this Official Statement as APPENDIX B. The Appraisal Report estimates only the value of existing parcels in Improvement Area No. 1 that are to be subject to the lien of Special Tax and that have not been assigned a structure value on the County’s assessor’s tax roll (collectively, the “Appraised Parcels”). See APPENDIX B — “APPRAISAL REPORT.” The Appraisal Report provides an estimate of the not-less-than aggregate value for the properties in Improvement Area No. 1 that are subject to the lien of the Special Tax. As currently planned, development in Improvement Area No. 1 is expected to consist of 147 residential units. As of the Date of Value, the Appraiser estimates that the aggregate value of all of the Taxable Property (as defined in the Rate and Method) within Improvement Area No. 1 subject to the Special Tax was not less than \$55,221,715, which consists of \$11,405,000 for the appraised value of the 52 lots owned by Woodside as of the Date of Value, \$22,095,000 for the 47 completed homes conveyed to individual homeowners that have not been assigned a structural assessed value by the County Assessor, and \$21,721,715 in assessed value of the 48 homes that were conveyed to individual homeowners and have been assigned a structural assessed value by the County Assessor.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The City makes no representations as to the accuracy of the Appraisal Report. See “IMPROVEMENT AREA NO. 1 — Property Values” and “—Value-to-Lien Ratios.” There is no assurance that any property within Improvement Area No. 1 can be sold for the estimated values set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to provide monies to pay the Special Tax for that parcel in the event of a default in payment of the Special Tax by the land owner. See “IMPROVEMENT AREA NO. 1,” “SPECIAL RISK FACTORS — Land Values and Appraisal Risk” and APPENDIX B — “APPRAISAL REPORT.”

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in integral multiples of \$5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in Appendix H. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX H — “BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as provided in the Indenture.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See “THE BONDS — Redemption.” For a more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Professionals Involved in the Offering

MUFG Union Bank, N.A., will act as Trustee under the Indenture. Hilltop Securities Inc. is the underwriter (the “Underwriter”) of the Bonds. The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City in connection with the issuance of the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter and for the Trustee by its counsel. Other professional services have been performed by Integra Realty Resources, as the Appraiser, Fieldman, Rolapp & Associates, Inc., as municipal advisor to the City and NBS, as Special Tax Consultant.

Continuing Disclosure

The City has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the “Rule”) certain financial information and operating data on an annual basis (the “City Reports”). The City has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the “Listed Events”). These covenants have been made in order to assist the Underwriter in complying with the Rule. The City Reports will be filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”) available on the Internet at <http://emma.msrb.org>. Notices of Listed Events will also be filed with the MSRB. Within the last five years, the City and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings. See “CONTINUING DISCLOSURE.”

Woodside has agreed to provide, or cause to be provided on EMMA, updated information with respect to the development within Improvement Area No. 1 (the “Woodside Disclosure Reports” and together with the City Reports, the “Reports”), on a semiannual basis and notices of certain events until their obligation is terminated in accordance with the terms of the continuing disclosure undertaking.

See “CONTINUING DISCLOSURE” and APPENDIX F and APPENDIX G for a description of the specific nature of the annual reports and notices of Listed Events to be filed by the City, semiannual reports and notices of Listed Events to be filed by Woodside, and the forms of the continuing disclosure undertakings pursuant to which such reports and notices are to be made.

Bond Holders’ Risks

Certain events could affect the ability of the City to collect the Special Tax in an amount sufficient to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See “SPECIAL RISK FACTORS” herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture, the Appraisal Report and other documents and information are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the Office of the Finance Director of the City, City of Folsom, City Hall, 50 Natoma Street, Folsom, California 95630.

THE FINANCING PLAN

Authorized Facilities and Fees

A portion of the proceeds of the Bonds will be applied to finance the costs of the acquisition and construction of certain facilities and to finance governmental fees authorized under the Act which facilities and fees relating to the costs of such facilities, include without limitation, sanitary sewer, storm drains, water facilities, dry utilities, street and bridge improvements, and park improvements, in addition to other improvements authorized under the Acquisition Agreement described below. See “IMPROVEMENT AREA NO. 1 — Description of Authorized Facilities.”

Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds:

Principal Amount of Bonds	\$ 5,770,000.00
Less Net Original Issue Discount	<u>(73,448.35)</u>
Total Sources	<u>\$ 5,696,551.65</u>

Uses of Funds:

Acquisition and Construction Fund	\$ 4,932,775.00
Costs of Issuance ⁽¹⁾	333,096.44
Series 2018 Bond Reserve Subaccount	<u>430,680.21</u>
Total Uses	<u>\$ 5,696,551.65</u>

⁽¹⁾ Includes Underwriter’s Discount, Bond Counsel, Special Tax Consultant, municipal advisor and Trustee fees, appraisal costs, printing costs and other issuance costs.

Source: The Underwriter.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum, payable semiannually on each March 1 and September 1, commencing on September 1, 2018 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates, all as set forth on the inside cover page of this Official Statement.

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless it is authenticated on a day during the period from the 16th day of the month next preceding an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on a day on or before the 15th day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on any 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.

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof at the close of business as of the Record Date, meaning the 15th day of the month next preceding any Interest Payment Date. Such interest will be paid by check of the Trustee mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a Holder of \$1,000,000 or more in aggregate principal amount of Outstanding Bonds, payment shall be made at such Holder’s option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee at least 15 days before such Interest Payment Date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America.

Payment of the principal of and redemption premiums, if any, on the Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof, such principal and redemption premiums, if any, to be paid only on the surrender of the Bonds at the principal corporate trust office of the Trustee at maturity or on redemption prior to maturity.

The Bonds will be issued as fully registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC’s procedures and the procedures of DTC’s Participants. See APPENDIX H — “BOOK-ENTRY ONLY SYSTEM.”

Redemption

Optional Redemption. The Bonds are subject to optional redemption by the City before their respective stated maturity dates, as a whole or in part on any date on or after September 1, 2018, from any source of available funds, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, 2018 through and including August 31, 2026	103.0%
September 1, 2026 through and including August 31, 2027	102.0
September 1, 2027 through and including August 31, 2028	101.0
September 1, 2028, and any date thereafter	100.0

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption by the City before their respective stated maturity dates, as a whole or in part on any date on or after September 1, 2018, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, 2018 through and including August 31, 2026	103.0%
September 1, 2026 through and including August 31, 2027	102.0
September 1, 2027 through and including August 31, 2028	101.0
September 1, 2028, and any date thereafter	100.0

In connection with such redemption, the City may also apply amounts in the Bond Reserve Fund that will be in excess of the Required Bond Reserve as a result of such Special Tax prepayment to redeem Bonds as set forth above.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2043 (the “2043 Term Bonds”), are subject to mandatory redemption by the City before their maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<i>2043 Term Bonds</i>	
<i>Sinking Fund</i>	
<i>Redemption Date</i>	<i>Sinking Fund</i>
<i>(September 1)</i>	<i>Payments</i>
2040	\$265,000
2041	280,000
2042	300,000
2043(maturity)	320,000

The Bonds maturing on September 1, 2048 (the “2048 Term Bonds”), are subject to mandatory redemption by the City before their maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<i>2048 Term Bonds</i>	
<i>Sinking Fund</i>	
<i>Redemption Date</i>	<i>Sinking Fund</i>
<i>(September 1)</i>	<i>Payments</i>
2044	\$345,000
2045	365,000
2046	390,000
2047	415,000
2048(maturity)	440,000

Selection of Bonds for Redemption. If less than all of the Bonds outstanding are to be redeemed at the option of the City at any one time, the City will select the maturity date or dates of the Bonds to be redeemed. If less than all of the 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 \$5,000 in any manner that the Trustee deems appropriate.

Notice of Redemption. When Bonds are to be redeemed under the Indenture the Trustee shall give notice of the redemption of such Bonds. The notice of redemption must state the date of the notice, the Bonds to be redeemed, the date of issue of the Bonds, the redemption date, the redemption price, the place of redemption (being the address

of the principal corporate trust office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice must further state that interest on the Bonds to be redeemed or the portions thereof will not accrue from and after the date of redemption and that all Bonds must be surrendered for redemption at the principal corporate trust office of the Trustee so designated. If any Bond chosen for redemption is not redeemable in whole, the notice must state that the Bond is to be redeemed in part only and that upon presentation of the Bond for redemption there will be issued in lieu of the unredeemed portion of principal a new Bond or Bonds of the same series and maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion.

At least 30 days but no more than 90 days before the redemption date, the Trustee shall mail a copy of such notice by first-class mail, postage prepaid, to (a) the Holders of all Bonds selected for redemption at their addresses appearing on the register maintained by the Trustee in accordance with the Indenture, (b) to securities depositories and securities information services selected by the City in accordance with the Indenture, and (c) to the Underwriter. Neither the failure to receive any such notice nor any immaterial defect in such notice will affect the sufficiency or validity of the proceedings for redemption.

Notwithstanding anything to the contrary contained in the Indenture, with respect to any notice of optional or extraordinary redemption of Bonds, unless, upon the giving of such notice, such Bonds are deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts are not received the notice will be of no force and effect and the City will not be required to redeem such Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner, and to the same parties, as the notice of redemption was given. Such failure to redeem such Bonds shall not constitute an event of default under the Indenture.

Notwithstanding anything to the contrary contained in the Indenture, any notice of optional or extraordinary redemption of Bonds may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

Effect of Redemption. If notice of redemption is given as provided in the Indenture and the money necessary for the payment of the principal of, and any redemption premiums and interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Trustee, then on the redemption date the Bonds called for redemption or portions thereof will become due and payable, and from and after the redemption date interest on those Bonds or such portions thereof will cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date.

DEBT SERVICE SCHEDULE

The following table presents the semi-annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE BONDS — Redemption.”

<i>Date</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Semiannual Debt Service⁽¹⁾</i>	<i>Date</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Semiannual Debt Service⁽¹⁾</i>
09/01/2018	\$ 70,000	\$ 99,623	\$ 169,623	3/1/2034	-	\$ 85,934	\$ 85,934
03/01/2019	-	107,325	107,325	9/1/2034	\$ 170,000	85,934	255,934
09/01/2019	35,000	107,325	142,325	3/1/2035	-	82,853	82,853
03/01/2020	-	106,975	106,975	9/1/2035	185,000	82,853	267,853
09/01/2020	40,000	106,975	146,975	3/1/2036	-	79,384	79,384
03/01/2021	-	106,575	106,575	9/1/2036	200,000	79,384	279,384
09/01/2021	45,000	106,575	151,575	3/1/2037	-	75,634	75,634
03/01/2022	-	106,125	106,125	9/1/2037	215,000	75,634	290,634
09/01/2022	55,000	106,125	161,125	3/1/2038	-	71,603	71,603
03/01/2023	-	105,575	105,575	9/1/2038	230,000	71,603	301,603
09/01/2023	60,000	105,575	165,575	3/1/2039	-	67,147	67,147
03/01/2024	-	104,900	104,900	9/1/2039	245,000	67,147	312,147
09/01/2024	65,000	104,900	169,900	3/1/2040	-	62,400	62,400
03/01/2025	-	103,844	103,844	9/1/2040	265,000	62,400	327,400
09/01/2025	75,000	103,844	178,844	3/1/2041	-	57,100	57,100
03/01/2026	-	102,625	102,625	9/1/2041	280,000	57,100	337,100
09/01/2026	85,000	102,625	187,625	3/1/2042	-	51,500	51,500
03/01/2027	-	101,138	101,138	9/1/2042	300,000	51,500	351,500
09/01/2027	95,000	101,138	196,138	3/1/2043	-	45,500	45,500
03/01/2028	-	99,475	99,475	9/1/2043	320,000	45,500	365,500
09/01/2028	105,000	99,475	204,475	3/1/2044	-	39,100	39,100
03/01/2029	-	97,638	97,638	9/1/2044	345,000	39,100	384,100
09/01/2029	115,000	97,638	212,638	3/1/2045	-	32,200	32,200
03/01/2030	-	95,769	95,769	9/1/2045	365,000	32,200	397,200
09/01/2030	125,000	95,769	220,769	3/1/2046	-	24,900	24,900
03/01/2031	-	93,644	93,644	9/1/2046	390,000	24,900	414,900
09/01/2031	135,000	93,644	228,644	3/1/2047	-	17,100	17,100
03/01/2032	-	91,281	91,281	9/1/2047	415,000	17,100	432,100
09/01/2032	145,000	91,281	236,281	3/1/2048	-	8,800	8,800
03/01/2033	-	88,744	88,744	9/1/2048	440,000	8,800	448,800
09/01/2033	155,000	88,744	243,744				

⁽¹⁾ Totals may not foot due to rounding.

Source: The Underwriter.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are payable from and secured by the proceeds of the Special Tax and by amounts on deposit in the Special Tax Fund, the Bond Redemption Fund, and the Series 2018 Bond Reserve Subaccount. The Bonds are not secured by monies on deposit in the Expense Fund, the Rebate Fund, the Acquisition and Construction Fund or the Maintenance Special Tax Fund established by the Indenture.

The Indenture defines the term “Special Tax” to mean the special tax authorized to be levied and collected annually on all Taxable Property in Improvement Area No. 1 under and pursuant to the Act at the special election held in Improvement Area No. 1 on March 10, 2015. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS

OF THE INDENTURE — Definitions.” Special taxes levied in Improvement Area No. 2 of the District are not pledged to and are not available to pay debt service on the Bonds.

The City is legally authorized and has covenanted in the Indenture to cause the levy and collection of the Special Tax in an amount determined according to the Rate and Method. See “SOURCES OF PAYMENT FOR THE BONDS — Special Tax” and “SPECIAL RISK FACTORS — Proposition 218” below. The Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in Improvement Area No. 1. See “—Special Tax” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Although the Special Tax will be levied against Taxable Property within Improvement Area No. 1, it does not constitute a personal indebtedness of the property owners. There is no assurance that the property owners will be able to pay the Special Tax or that they will pay it even if able to do so. See “SPECIAL RISK FACTORS” herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF FOLSOM, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Special Tax

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District and designated Improvement Area No. 1 and Improvement Area No. 2 therein on March 10, 2015, for the purpose of financing the various public improvements required in connection with the proposed development within the District. At an election held on such date, the eligible voters in Improvement Area No. 1 approved the issuance of bonds for Improvement Area No. 1 in an amount not to exceed \$6,000,000, secured by special taxes levied on property within Improvement Area No. 1 to finance the facilities. The landowners within Improvement Area No. 1 also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness issued for Improvement Area No. 1, including the Bonds and authorize the levy of the Special Tax for the payment of certain services and maintenance of facilities (the “Maintenance Special Tax”). Subsequent to the establishment of the District, the City received a petition signed by more than 25% of the owners of the land within the District requesting that the City approve a change to the facilities authorized to be financed by the District to include certain governmental fees required in connection with the proposed development. At an election held on September 8, 2015, the eligible voters in Improvement Area No. 1 approved such modification.

The City will covenant in the Indenture, so long as any Bonds are Outstanding, to annually levy the Special Tax against all Taxable Property in Improvement Area No. 1 in accordance with the Rate and Method and, subject to the limitations in the Rate and Method and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund, 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 Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Series 2018 Bond Reserve Subaccount 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 is collected in the same manner as ad valorem property taxes for the County are collected and, except as otherwise provided in the Indenture or by the Act, are 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. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Under the Indenture, except as described below all proceeds of the Special Tax are to be deposited in the Special Tax Fund, which has been established under the Indenture and is held and maintained in trust by the City. The

City agrees in the Indenture to deposit all proceeds of the Special Tax (including the Maintenance Special Tax), net of the City's Priority Administrative Expenses, in the Special Tax Fund when and as received and to transfer all amounts in the Special Tax Fund into the following funds in the following order of priority:

- (1) to the Bond Redemption Fund to pay debt service payments on all outstanding Bonds and any Parity Bonds,
- (2) to the Bond Reserve Fund to the extent necessary to replenish each subaccount of the Bond Reserve Fund to the Required Bond Reserve,
- (3) to the Maintenance Special Tax Fund to pay costs of services and maintenance of facilities authorized to be financed by the Special Tax under the Act,
- (4) to the Expense Fund to pay Expenses in excess of the Priority Administrative Expenses, and
- (5) to the Community Facilities Fund.

"Priority Administrative Expenses" is defined in the Indenture to mean an amount equal to \$20,000 for Fiscal Year 2018-19, increasing by 2% per year, subject to the limitations described in the Indenture.

On or before each March 1 and September 1, the City will, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds and Parity Bonds on that March 1 and September 1. On or before each September 1, the City will, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on that September 1, plus the aggregate of the Sinking Fund Account Payments required by the Indenture to be made on that September 1 into the Sinking Fund Account.

All of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds and Parity Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds and Parity Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments 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 Sinking Fund Account Payments bear to each other.

No deposit needs to be made into the Bond Redemption Fund if the amount of money contained in the Bond Redemption Fund is at least equal to the amount required by the Indenture to be deposited in the Bond Redemption Fund at the times and in the amounts described above.

Notwithstanding anything to the contrary in the Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the City shall (i) deposit any component thereof representing the "Future Facilities Cost" (as defined in the Rate and Method) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Fees and Expenses" (as defined in the Rate and Method) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds or Parity Bonds pursuant to the terms of any Supplemental Indenture.

The Special Tax levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "Limitation on Special Tax Levy" below and "SPECIAL RISK FACTORS — Insufficiency of Special Tax" herein.

Rate and Method of Apportionment of Special Tax. The City is legally authorized and will covenant to cause the levy of the Special Tax in an amount determined according to a methodology, i.e., the Rate and Method

which the City Council and the electors within Improvement Area No. 1 have approved. The Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in Improvement Area No. 1 as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for Improvement Area No. 1, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The definitions of the capitalized terms used under this caption “—Rate and Method of Apportionment of Special Tax” are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A.

Assignment to Land Use Categories. Each Fiscal Year, all Taxable Property within Improvement Area No. 1 shall be classified by the CFD Administrator as Developed Property, Undeveloped Property or Taxable Contingent Property and the CFD Administrator shall determine the Facilities Special Tax Requirement and the Maintenance Special Tax Requirement.

Exemptions. No Special Tax shall be levied on up to 8.05 Acres of Open Space Property, Property Owner Association Property, and Public Property, as assigned by the CFD Administrator (except as otherwise authorized by Sections 53317.3 and 53317.5 of the Act). Such property that is not exempt is classified as Taxable Contingent Property.

Maximum Special Tax. The Maximum Special Tax for each land use class for Fiscal Years 2017-18 and 2018-19 is calculated as follows:

<i>Fiscal Year 2017-18</i>				
<i>Land Use Class and Tax Zone</i>	<i>Residential Floor Area</i>	<i>Assigned Facilities Special Tax Rate</i>	<i>Backup Facilities Special Tax</i>	<i>Assigned Maintenance Special Tax Rate</i>
Residential Property	Greater than 2,100 sq. ft.	\$2,409.56	\$2,541.50	\$588.60
Residential Property	1,751-2,100 sq. ft.	2,209.80	2,541.50	588.60
Residential Property	1,651-1,750 sq. ft.	1,969.47	2,541.50	588.60
Residential Property	1,651 sq. ft. or less	1,902.89	2,541.50	588.60
Taxable Contingent Property		20,560.38	N/A	5,571.59
Undeveloped Property		20,560.68	N/A	5,571.59

<i>Fiscal Year 2018-19</i>				
<i>Land Use Class and Tax Zone</i>	<i>Residential Floor Area</i>	<i>Assigned Facilities Special Tax Rate</i>	<i>Backup Facilities Special Tax</i>	<i>Assigned Maintenance Special Tax Rate</i>
Residential Property	Greater than 2,100 sq. ft.	\$2,457.75	\$2,592.34	\$600.38
Residential Property	1,751-2,100 sq. ft.	2,254.00	2,592.34	600.38
Residential Property	1,651-1,750 sq. ft.	2,008.86	2,592.34	600.38
Residential Property	1,651 sq. ft. or less	1,940.94	2,592.34	600.38
Taxable Contingent Property		20,971.59	N/A	5,683.02
Undeveloped Property		20,971.59	N/A	5,683.02

The Assigned Facilities Special Tax and Backup Facilities Special Tax shown in the two tables above increase by 2% on July 1 of each year and the Assigned Maintenance Special tax increases by the June annualized percentage change of the Consumer Price Index for all Urban Consumers, for the San Francisco-Oakland-San Jose area, not to exceed 4%. See the Rate and Method attached as APPENDIX A.

Method of Apportionment of Special Tax. Each Fiscal Year, the City shall levy the Special Tax until the amount of the Special Tax levied equals the Facilities Special Tax Requirement and the Maintenance Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

1. Facilities Special Tax

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 Assigned Facilities Special Tax to satisfy the Facilities Special Tax Requirement.

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

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

Fourth: If additional monies are needed to satisfy the Facilities Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on all Taxable Contingent Property at a rate up to 100% of the Maximum Facilities Special Tax for Taxable Contingent Property.

2. Maintenance Special Tax

If, in any Fiscal Year, the Maximum Facilities Special Tax is levied against each Assessor's Parcel of Taxable Property within the District and the revenues generated are insufficient to pay the Facilities Special Tax Requirement, such shortfall shall be deemed a component of the Maintenance Special Tax Requirement in that Fiscal Year, and the proceeds from the levy of the Maintenance Special Tax shall first be applied to mitigate the shortfall in the Facilities Special Tax Requirement before being used to pay for authorized services.

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

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

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year against any Assessor's Parcel of Developed 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 10% above the amount that would have been levied against such Assessor's Parcel in such Fiscal Year had there been no delinquencies or defaults.

Prepayment of Special Tax. The Maximum Facilities Special Tax obligation for a Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the Future Facilities Cost, the Redemption Premium, the Defeasance Amount, Administrative Fees and Expenses and less a credit for the resulting reduction in the Required Bond Reserve for the Bonds and capitalized interest amounts (if any), all as specified in Section J of the Rate and Method attached as APPENDIX A.

Limitation on Special Tax Levy. Pursuant to Section 53321(d) of the Government Code, the special tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within Improvement Area No. 1 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. As a result, it is possible that the City may not be able to increase the tax levy to the Maximum Special Tax in all years. However, subject to the limitations on the City's ability to levy the necessary amount of the Special Tax as imposed by Section 53321(d) of the Government Code, the City can levy the Special Tax on Undeveloped Property to make-up all or a portion of any shortfall in the Special Tax levy, subject to the maximum Special Tax rate on Undeveloped Property.

Collection of Special Tax. The Special Tax is levied and collected by the Tax Collector of the County in the same manner and at the same time as ad valorem property taxes. The City may, however, collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations with respect to Improvement Area No. 1.

Although the Special Tax constitutes a lien on taxable property within Improvement Area No. 1, they do not constitute a personal indebtedness of the owners of property within Improvement Area No. 1. In addition to the obligation to pay the Special Tax, properties in Improvement Area No. 1 are subject to other assessments and special taxes as set forth under Table 2 below. These other special taxes and assessments are on parity with the lien for the Special Tax. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in Improvement Area No. 1. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments.” There is no assurance that property owners will be financially able to pay the Special Tax or that they will pay such taxes even if financially able to do so. See “SPECIAL RISK FACTORS” below.

Foreclosure Covenant. The proceeds of delinquent amounts of the Special Tax received following a judicial foreclosure sale of parcels within Improvement Area No. 1 resulting from a landowner’s failure to pay the Special Tax when due, up to the amount of the delinquent Special Tax lien, are included within the Special Tax revenues pledged to the payment of principal and interest on the Bonds under the Indenture, except any payment of the Special Tax on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the City the Special Tax levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County. See “— Teeter Plan” below.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the City of the Special Tax in an amount which is less than the Special Tax levied, the City Council of the City may order that the Special Tax be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory.

However, the City will covenant in the Indenture to, annually on or before September 1 of each year, review the public records of the County 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 total amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in such Fiscal Year, the City will within 60 days thereafter institute foreclosure proceedings as authorized by the Act to enforce the lien of the delinquent installments of such Special Tax against each lot or parcel of land, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale in accordance with the Act; provided that irrespective of the foregoing if the City determines on the basis of such review that property owned by any single property owner is delinquent by more than five thousand dollars 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 previously described against such property owner.

See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens.”

If foreclosure is necessary and other funds (including amounts in the Series 2018 Bond Reserve Subaccount) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City. See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure” herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See “SPECIAL RISK FACTORS — Land Values and Appraisal Risk” herein. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure

sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Bond Reserve Fund

In order to secure the payment of principal of and interest on the Bonds, the City is required, upon delivery of the Bonds, to deposit in the Series 2018 Bond Reserve Subaccount an amount equal to the Required Bond Reserve and thereafter to maintain in such Series 2018 Bond Reserve Subaccount an amount equal to the Required Bond Reserve. The Indenture defines the Required Bond Reserve as, as of any date of calculation, with respect to the Bonds, an amount equal the least of (a) 10% of the principal amount of the Bonds, or (b) Maximum Annual Debt Service on the Bonds, or (c) 125% of the average Debt Service of the Bonds payable under the Indenture in the current and in all future Bond Years, 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 at least one rating 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 S&P, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time. As of the date of issuance of the Bonds the Required Bond Reserve will be fully funded in the amount of \$430,680.21 from a portion of the proceeds of the Bonds. The City may, but is not required to, establish a separate subaccount of the Bond Reserve Fund and a separate Required Bond Reserve for each series of Parity Bonds. The Series 2018 Bond Reserve Subaccount secures only the payment of debt service on the Bonds and not any Parity Bonds.

Subject to the limits on the maximum annual Special Tax which may be levied within Improvement Area No. 1 in accordance with the Rate and Method set forth in APPENDIX A, the City will covenant to levy the Special Tax in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Series 2018 Bond Reserve Subaccount at the Required Bond Reserve. Amounts in the Series 2018 Bond Reserve Subaccount are to be applied to (i) pay debt service on the Bonds, to the extent other monies in the Bond Redemption Fund are insufficient therefor; (ii) reinstate the amount available under any municipal bond insurance policy, surety bond, or letter of credit which may be issued and held in satisfaction of all or a portion of the Required Bond Reserve; and (iii) retire Bonds and any Parity Bonds in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE —Allocation of Money in the Special Tax Fund.”

Issuance of Parity Bonds

The City may issue additional series of Parity Bonds (each a “Series”), in addition to the Bonds, which shall be secured by a lien on the Special Tax and funds pledged for the payment of the Bonds under the Master Indenture on a parity with the Outstanding Bonds solely for the purpose of refunding the Bonds and other Parity Bonds. The Parity Bonds shall be issued by means of a Supplemental Indenture and without the consent of any Holders, upon compliance with the provisions of the Master Indenture, which include, among others, the following specific conditions:

(a) The issuance of such Series shall have been authorized pursuant to the Act and pursuant hereto and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Series is to be issued, which shall be to refund the Bonds or to refund other Parity Bonds;

(2) The principal amount and designation of such Series and the denomination or denominations of the bonds of such Series;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which Sinking Fund Account Payments are due, if any, for such Series; provided, that (i) the Serial bonds of such

Series shall be payable as to principal on September 1 of each year in which principal of such Series falls due, and the term bonds of such Series shall be subject to mandatory redemption on September 1 of each year in which Sinking Fund Account Payments for such Series are due; (ii) the bonds of such Series 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 12 months and the interest shall be payable thereafter semiannually on March 1 and September 1, (iii) all the bonds of such 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 Series or Sinking Fund Account Payments for term bonds of such Series, or any combination thereof, shall be established to provide for the redemption or payment of the Bonds of such Series on or before their respective maturity dates;

(4) The redemption premiums and redemption terms, if any, for such Series;

(5) The form of the bonds of such Series;

(6) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Redemption Fund, and its use to pay interest on the bonds of such Series;

(7) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Reserve Fund;

(8) The amounts, if any, to be deposited from the proceeds of sale of such Series in the separate accounts for such Series to be maintained in the Acquisition and Construction Fund and in the Costs of Issuance Fund;

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

(b) No Event of Default under the Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing; and

(c) There shall be delivered to the Trustee a Certificate of the City that after the issuance and delivery of such Series of bonds either (i) none of the bonds theretofore issued thereunder will be Outstanding or (ii) the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds.”

Teeter Plan

In June 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency.

Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the taxing entities and those special assessment districts and community facilities districts (and individual parcels within each district) that the County determines are eligible to participate in the Teeter Plan. The County may make eligibility determinations on an annual basis and may exclude a district or an individual parcel that had previously been included in the plan. Improvement Area No. 1 is currently included in the County’s Teeter Plan. The County has the discretion to determine which delinquent special taxes will be paid through the Teeter Plan on a case-by-case basis. See “SPECIAL RISK FACTORS — Teeter Plan Termination.”

IMPROVEMENT AREA NO. 1

General Description

The District was formed by the City pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities, development-related fees, and services. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the 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.

Pursuant to the Act, the City Council undertook proceedings, adopted a resolution to form the District, designating Improvement Area No. 1 and Improvement Area No. 2 therein. On March 10, 2015, elections were held within Improvement Area No. 1 and Improvement Area No. 2 of the District at which the eligible voters in each improvement area approved the levy of Special Tax in accordance with the respective Rate and Method of Apportionment of Special Tax for such improvement area. The Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 is attached hereto as APPENDIX A (the "Rate and Method"). In addition, the eligible voters in Improvement Area No. 1 authorized the issuance of bonds in an amount not to exceed \$6,000,000 for Improvement Area No. 1. Pursuant to the Act and a petition of more than 25% of the owners of land within each Improvement Area, the City Council conducted further proceedings to amend the facilities authorized to be financed by the District, which proceedings were approved by the eligible voters of each improvement area on September 8, 2015. The Bonds are not and will not be secured by any special tax on property in Improvement Area No. 2.

A Notice of Special Tax Lien was recorded in the office of the Clerk Recorder of the County of Sacramento (the "County") on March 11, 2015, in Book No. 2015033 on Page No. 0513. On March 24, 2015, the City Council adopted Ordinance No. 1221 (the "Ordinance") which authorizes the levy of the Special Tax pursuant to the Rate and Method. An Amended Notice of Special Tax Lien reflecting the modified facilities was recorded in the office of the Clerk Recorder of the County on December 9, 2015, in Book No. 20151209 on Page No. 0424.

NBS, as the special tax consultant for the District, has prepared a Hearing Report (the "Hearing Report") relating to the District. Certain additional information regarding the improvements to be financed, including descriptions, cost estimates and related information, can be found in the Hearing Report, which is available for review at the offices of the City.

Improvement Area No. 1 consists of approximately 15.53 gross acres and is located in the western portion of the City, north of Blue Ravine Road and east of Folsom Boulevard, and is situated on Parkshore Drive. Within Improvement Area No. 1, 147 single family residential parcels are expected to be subject to the Special Tax (as defined in this Official Statement) at buildout. The property within Improvement Area No. 1 that is not subject to the levy of the Special Tax consists of public rights of way and parks, including landscape corridors. Woodside is the merchant builder in Improvement Area No. 1. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Description of Authorized Facilities

Acquisition Agreement. The City and Lewis Land Developers, LLC (the "Developer"), as the original master developer of the land within the District and Improvement Area No. 1, are parties to an Acquisition and Shortfall Agreement, dated as of January 21, 2015, as amended by a First Amendment entered into between the City and the Developer dated October 8, 2015 (together, the "Acquisition Agreement"), which provides, among other things, the means by which the Developer or Woodside constructed the facilities to be acquired with the proceeds of the Bonds pursuant to certain requirements contained in the Acquisition Agreement, and which provides guidelines pursuant to which the City may acquire the facilities (the "Acquisition Improvements") with the proceeds of the Bonds. The Acquisition Agreement pertains to the acquisition of the Acquisition Improvements and the financing of certain development impact fees (the "Fees") payable to the City.

Facilities. A portion of the proceeds from the sale of the Bonds will be deposited in the Acquisition and Construction Fund under the Indenture and used to pay for the costs of facilities authorized to be financed for Improvement Area No. 1, including such facilities which are included in the City's and other governmental agency fee programs, in accordance with the terms of the Indenture and the Acquisition Agreement. As more fully detailed in the Acquisition Agreement, costs of such facilities, including those which are included in the City's and other governmental agency fee programs and are eligible to be financed with the proceeds of the Bonds, consist of backbone infrastructure, including without limitation sanitary sewers, storm drains, water facilities, street improvements, and park improvements, in addition to other improvements authorized under the Acquisition Agreement. Approximately \$3.5 million of the costs of such facilities or fees included in the City's governmental fee programs are expected to be reimbursed from Bond proceeds. See "THE FINANCING PLAN—Estimated Sources and Uses of Funds."

In addition to the \$3.5 million allocable to the City's governmental fee programs, Table 1 reflects the Acquisition Improvements that are expected to be paid with the proceeds of the Bonds.

TABLE 1
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
ACQUISITION AGREEMENT FACILITIES

<i>Facilities</i>	<i>Amount</i>	<i>Date of Completion</i>
Phase 1B Street Utilities	\$786,673	August 2016
Phase 1 Parkshore Drive Landscaping	398,374	June 2015
Phase 1 Ring Park	<u>233,628</u>	September 2016
Total	\$1,418,675	

Source: Woodside; City.

Status of Facilities. All of the backbone and in-tract infrastructure with respect to Improvement Area No. 1 has been completed and no discretionary approvals or remediation is necessary in order for Woodside to complete its development within Improvement Area No. 1. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Direct and Overlapping Indebtedness

The ability of an owner of land within Improvement Area No. 1 to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in Improvement Area No. 1 and are set forth in Table 2 below (the "Debt Report"). The Debt Report sets forth those entities that have issued debt other than general obligation bonds supported by ad valorem taxes. Table 2 does not include entities that only levy or assess fees, charges or special taxes for purposes other than supporting debt. The Debt Report includes the principal amount of the Bonds in addition to the Improvement Area No. 1's allocable share of any outstanding community facilities district and assessment district bonds. The Debt Report has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. as of December 22, 2017. Neither the City nor the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 2
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
OVERLAPPING DEBT SUMMARY

	<i>Percent</i>	<i>Total</i>
<i>Overlapping District</i>	<i>Applicable</i>	<i>Outstanding Bonded Debt</i>
Los Rios Community College District	0.020%	\$63,816
Folsom-Cordova Unified School District School Facilities Improvement District No. 2	0.292	59,242
Folsom-Cordova Unified School District School Facilities Improvement District No. 5	0.293	258,994
Improvement Area No. 1 The Islands at Parkshore CFD No. 16 Bonds	100.000	5,770,000
Total		\$6,152,052

Total Property Value⁽¹⁾: \$55,221,715

Value-to-Lien Ratio

9.0:1

⁽¹⁾ Includes the value of the appraised property as set forth in the Appraisal Report and the assessed value as of the January 1, 2017 lien date provided by the County of 48 homes that have been assigned structural assessed value.

Source: California Municipal Statistics, Inc.; Appraiser; City.

Estimated Fiscal Year 2017-18 Tax Burden

The following table sets forth the estimated total tax obligation of sample parcels of Developed Property for a single-family detached unit within Improvement Area No. 1 based on the initial principal amount of the Bonds, the Fiscal Year 2017-18 Special Tax levy at the Assigned Special Tax rates and the Fiscal Year 2017-18 tax rates for overlapping taxing entities. The amounts charged and the effective tax rates vary for individual parcels within Improvement Area No. 1 may increase or decrease in future years. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

**TABLE 3
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
ESTIMATED TAX OBLIGATION**

Assessed Value⁽¹⁾		\$451,843
Less: Homeowner Exemption		(\$7,000)
Net Assessed Value		\$444,843
Ad Valorem⁽²⁾	<u>Tax Rate</u>	
General Purpose Ad Valorem Tax (Proposition 13)	1.0000%	\$4,448.43
Los Rios College General Obligation	0.0130%	57.83
Folsom-Cordova Unified School District Improvement Dist. 2	0.0258%	114.77
Folsom-Cordova Unified School District Improvement Dist. 5	0.0071%	<u>31.58</u>
Total Ad Valorem Taxes	1.0459%	\$4,652.61
Special/Direct Assessments and Taxes		
Folsom Community Facilities District No. 16 IA1 - Facilities ⁽³⁾		\$2,409.56
Folsom Community Facilities District No. 16 IA1 - Maintenance ⁽³⁾		588.60
Folsom Silverbrook Landscaping and Lighting District ⁽⁴⁾		<u>14.24</u>
Total Special/Direct Assessments and Taxes		\$3,012.40
Total Estimated Annual Property Taxes		\$7,665.01
Effective Tax Rate		1.6964%

1) 2017/18 assessed value for a developed Residential Property with floor area greater than 2,100 square feet.

2) Based upon 2017/18 Sacramento County ad valorem property tax rates.

3) 2017/18 Assigned Facilities Special Tax and Maintenance Special Tax for developed Residential Property with floor area greater than 2,100 square feet. The Assigned Facilities Special Tax escalates annually at 2% and the Maintenance Special Tax escalates annually based upon the annual June CPI Change, for the San Francisco-Oakland-San Jose are, not to exceed 4%.

4) 2017/18 assessment amount.

Source: NBS; Sacramento County Assessor's Office.

Property Values

Assessed Value. The assessed value of the property within the District represents the secure assessed valuation established by the County Assessor. Assessed values do not necessarily represent market values. Article XIII A of the California Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real property as shown on the 1975/76 roll under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. There can be no assurance that the assessed valuations of the properties within Improvement Area No. 1 accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

The table below sets forth historical assessed values of the property within Improvement Area No. 1 from Fiscal Years 2009-10 through 2017-18.

TABLE 4
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
HISTORICAL ASSESSED VALUES

<i>Fiscal Year</i>	<i>Assessed Value</i>	<i>Percentage Change</i>
2009-10	\$7,590,040	N/A
2010-11	4,723,778	-37.76%
2011-12	3,612,678	-23.52%
2012-13	3,684,931	2.00%
2013-14	3,758,629	2.00%
2014-15	3,775,692	0.45%
2015-16	10,500,966	178.12%
2016-17	20,540,117	95.60%
2017-18	36,504,649	77.72%

Source: Sacramento County Assessor's Office; NBS.

Appraisal. The estimated assessed value of the property within Improvement Area No. 1, as shown on the County's assessment roll for Fiscal Year 2017-18, is approximately \$36,504,649. However, as described above, due to Article XIII A of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within Improvement Area No. 1, the City engaged Integra Realty Resources, the Appraiser, to prepare the Appraisal Report. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within Improvement Area No. 1 other than the relationship represented by the engagement to prepare the Appraisal Report. A copy of the Appraisal Report is included as APPENDIX B — "APPRAISAL REPORT."

The purpose of the Appraisal Report was to estimate the market value by ownership of the properties in Improvement Area No. 1 subject to the lien of the Special Tax. Market value was estimated by ownership, and the sum of the market values by ownership represented an aggregate value (which is not equivalent to the market value of Improvement Area No. 1 as a whole). Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value, the aggregate value of the property within Improvement Area No. 1 was not less than \$55,221,715, which consists of \$11,405,000 for the appraised value of the 52 lots, as of the Date of Value, owned by Woodside, \$22,095,000 for the 47 completed homes conveyed to individual homeowners that have not been assigned a structural assessed value by the County Assessor, and \$21,721,715 in assessed value of the 48 homes that were conveyed to individual homeowners and have been assigned a structural assessed value by the County Assessor. Since the Date of Value, Woodside has sold additional homes to individual homeowners. Table 5 below shows the market value of the various parcels owned by Woodside and the aggregate of individual homeowners within Improvement Area No. 1 as set forth in the Appraisal Report as of the Date of Value. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

TABLE 5
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
SUMMARY OF APPRAISED AND ASSESSED VALUES
(AS OF JANUARY 2, 2018)

<i>Owner⁽¹⁾</i>	<i>No. of Units/Lots⁽¹⁾</i>	<i>Property Value⁽²⁾</i>
Woodside ⁽²⁾	52	\$11,405,000
Individual Homeowners (appraised) ⁽³⁾	47	22,095,000
Individual Homeowners (assessed) ⁽⁴⁾	48	21,721,715
Total	147	\$55,221,715

(1) Reflects ownership information as set forth in the Appraisal Report and the total projected number of units within Improvement Area No. 1 at buildout. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

(2) Since the Date of Value, Woodside has conveyed additional lots within Improvement Area No. 1 to individual homeowners. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

(3) Reflects appraised value of property as set forth in the Appraisal Report. See “APPENDIX B — Appraisal Report.”

(4) Reflects assessed value of homes owned by individual owners that have been assigned a structural assessed value by the County Assessor.

Source: Appraiser; City.

In estimating the value for the homes completed and conveyed by Woodside to individual homeowners, the Appraiser estimated a not less than market value based on the smallest floor plan.

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser’s opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within Improvement Area No. 1 may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within Improvement Area No. 1 would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report indicates the Appraiser’s opinion as to the market value of the property in Improvement Area No. 1 as of the Date of Value and under the conditions specified in the Appraisal Report. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser’s opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

Value-To-Lien Ratios

Based on the principal amount of the Bonds, the estimated appraised value-to-lien ratio within Improvement Area No. 1, including all Taxable Property as of the Date of Value is 9.0-to-1. This ratio includes other land-secured debt (i.e. other community facilities districts or assessment districts) within Improvement Area No. 1 but does not include an allowance for overlapping general obligation bonds. See “— Direct and Overlapping Indebtedness” above.

Table 6 and Table 7 below show the estimated principal amount of the Bonds and overlapping debt allocable to each category of Taxable Property and the estimated value-to-lien ratios as of the Date of Value, as set forth in the Appraisal Report. Since the Date of Value, Woodside has sold additional completed homes to individual homeowners within Improvement Area No. 1. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

TABLE 6
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
VALUE-TO-LIEN RATIOS
BASED ON 2017-18 DEVELOPMENT STATUS

<i>Development Status⁽¹⁾</i>	<i>Parcels</i>	<i>2017-18 Assigned Facilities Special Tax⁽²⁾</i>	<i>2017-18 Backup Facilities Special Tax⁽²⁾</i>	<i>2017-18 Maximum Facilities Special Tax⁽²⁾</i>	<i>Assessed Value⁽³⁾</i>	<i>Appraised Value</i>	<i>Allocation of City of Folsom CFD No. 16 IA-1 Bonds</i>	<i>Total Overlapping Debt</i>	<i>CFD No. 16 IA-1 Value- to-Lien Ratio</i>	<i>CFD No. 16 IA-1 and Overlapping Value-to-Lien Ratio</i>
Developed Property	100	\$216,949	\$254,150	\$254,150	\$21,721,715	\$24,144,048	\$3,906,966	\$325,837	11.7	10.8
Undeveloped Property	47	0	0	61,743	0	9,355,952	1,863,034	56,214	5.0	4.9
Total	147	\$216,949	\$254,150	\$315,893	\$21,721,715	\$33,500,000	\$5,770,000	\$382,051	9.6	9.0

⁽¹⁾ Development status is based on the 2017-18 Special Tax levy. A parcel is considered “Developed” if a building permit was issued before May 1, 2017.

⁽²⁾ Does not include the \$75,591.26 2017-18 Maintenance Maximum Special Tax.

⁽³⁾ Includes only assessed value of property that was not assigned an appraised value in the Appraisal Report. See “APPENDIX B – APPRAISAL REPORT.”

Source: NBS, except as otherwise noted.

TABLE 7
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
VALUE-TO-LIEN RATIOS
BASED ON 2018-19 EXPECTED DEVELOPMENT STATUS

<i>Development Status⁽¹⁾</i>	<i>Parcels</i>	<i>2018-19 Assigned Facilities Special Tax⁽²⁾</i>	<i>2018-19 Backup Facilities Special Tax⁽²⁾</i>	<i>2018-19 Maximum Facilities Special Tax⁽²⁾</i>	<i>Assessed Value⁽³⁾</i>	<i>Appraised Value</i>	<i>Allocation of City of Folsom CFD No. 16 IA-1 Bonds</i>	<i>Total Overlapping Debt</i>	<i>CFD No. 16 IA-1 Value- to-Lien Ratio</i>	<i>CFD No. 16 IA-1 and Overlapping Value-to-Lien Ratio</i>
Developed Property	147	\$326,809	\$381,074	\$381,074	\$21,721,715	\$33,500,000	\$5,770,000	\$382,051	9.6	9.0
Total	147	\$326,809	\$381,074	\$381,074	\$21,721,715	\$33,500,000	\$5,770,000	\$382,051	9.6	9.0

⁽¹⁾ Development status is estimated for the 2018-19 Special Tax levy. A parcel is considered “Developed” if a building permit was issued before May 1, 2018. The last building permit was issued on August 29, 2017.

⁽²⁾ Does not include the \$88,255.86 estimated 2018-19 Maintenance Maximum Special Tax.

⁽³⁾ Includes only assessed value of property that was not assigned an appraised value in the Appraisal Report. See “APPENDIX B – APPRAISAL REPORT.”

Source: NBS, except as otherwise noted.

Debt Service Coverage

The following table illustrates the estimated debt service coverage for the Bonds if the Facilities Special Tax is levied at the Assigned Facilities Special Tax rates, based on a classification of all Taxable Property as Developed Property. All parcels have had building permits issued and will be classified as Developed Property for Fiscal Year 2018-19.

TABLE 8
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16 (THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
DEBT SERVICE COVERAGE FROM ASSIGNED FACILITIES SPECIAL TAX REVENUES
BASED ON 2018-19 EXPECTED DEVELOPMENT STATUS

<i>Year Ending September 1</i>	<i>Assigned Facilities Special Tax⁽¹⁾</i>	<i>Estimated Priority Administrative Expense⁽¹⁾</i>	<i>Remaining Assigned Facilities Special Tax</i>	<i>Bonds Debt Service</i>	<i>Estimated Coverage from Net Assigned Facilities Special Tax</i>	<i>Estimated Maintenance Special Tax</i>	<i>Estimated Coverage from Net Special Tax</i>
2018	\$216,949	N/A	\$216,949	\$169,623	1.28	\$75,591	1.72
2019	326,809	20,000	306,809	249,650	1.23	88,256	1.58
2020	333,345	20,400	312,945	253,950	1.23	88,256	1.58
2021	340,012	20,808	319,204	258,150	1.24	88,256	1.58
2022	346,812	21,224	325,588	267,250	1.22	88,256	1.55
2023	353,748	21,649	332,099	271,150	1.22	88,256	1.55
2024	360,823	22,082	338,741	274,800	1.23	88,256	1.55
2025	368,040	22,523	345,516	282,688	1.22	88,256	1.53
2026	375,400	22,974	352,427	290,250	1.21	88,256	1.52
2027	382,908	23,433	359,475	297,275	1.21	88,256	1.51
2028	390,566	23,902	366,665	303,950	1.21	88,256	1.50
2029	398,378	24,380	373,998	310,275	1.21	88,256	1.49
2030	406,345	24,867	381,478	316,538	1.21	88,256	1.48
2031	414,472	25,365	389,107	322,288	1.21	88,256	1.48
2032	422,762	25,872	396,890	327,563	1.21	88,256	1.48
2033	431,217	26,390	404,827	332,488	1.22	88,256	1.48
2034	439,841	26,917	412,924	341,869	1.21	88,256	1.47
2035	448,638	27,456	421,182	350,706	1.20	88,256	1.45
2036	457,611	28,005	429,606	358,769	1.20	88,256	1.44
2037	466,763	28,565	438,198	366,269	1.20	88,256	1.44
2038	476,098	29,136	446,962	373,206	1.20	88,256	1.43
2039	485,620	29,719	455,901	379,294	1.20	88,256	1.43
2040	495,333	30,313	465,019	389,800	1.19	88,256	1.42
2041	505,239	30,920	474,320	394,200	1.20	88,256	1.43
2042	515,344	31,538	483,806	403,000	1.20	88,256	1.42
2043	525,651	32,169	493,482	411,000	1.20	88,256	1.42
2044	536,164	32,812	503,352	423,200	1.19	88,256	1.40
2045	546,887	33,468	513,419	429,400	1.20	88,256	1.40
2046	557,825	34,138	523,687	439,800	1.19	88,256	1.39
2047	568,982	34,820	534,161	449,200	1.19	88,256	1.39
2048	580,361	35,517	544,844	457,600	1.19	88,256	1.38

⁽¹⁾ Escalates annually at 2%
Source: NBS, Underwriter.

Historical Special Tax Collection

The following table is a summary of Special Tax levies, collections and delinquency rates in Improvement Area No. 1 for Fiscal Years 2015-16 (the first year of the Special Tax levy) through 2017-18. Improvement Area No. 1 is currently included in the County's Teeter Plan and, as a result, the City receives 100% of the Special Tax levy with respect to Improvement Area No. 1, without regard to the actual amount of collections. See "SOURCES OF PAYMENT FOR THE BONDS—Teeter Plan" and "SPECIAL RISK FACTORS—Teeter Plan Termination."

TABLE 9
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(THE ISLANDS AT PARKSHORE)
IMPROVEMENT AREA NO. 1
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2015-16 THROUGH 2017-18

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year in which Special Taxes Were Levied</i>			<i>Delinquencies as of December 31, 2017</i>			<i>Special Tax Collected</i>
		<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	
2015-16 ⁽¹⁾	\$39,814	0	\$ 0	0.0%	0	\$ 0	0.00%	\$39,814
2016-17 ⁽¹⁾	53,146	1	284	0.54	1	284	0.54	52,864
2017-18 ⁽²⁾	280,322 ⁽³⁾	NA	NA	0.0	2	2,745	1.96	N/A

(1) Reflects only the Maintenance Special Tax.

(2) The December 31, 2017 delinquency information reflects the 2017/18 first installment only. The total amount of the first installment is \$140,161 and includes \$31,687 attributable to the Maintenance Special Tax. Payment data for the second installment is not yet available.

(3) Reflects the 2017-18 Special Tax levy, including \$63,374 attributable to the Maintenance Special Tax.

Source: NBS; Sacramento County Tax Collection Division.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds. No assurance can be given, however, that the proposed development of the property within Improvement Area No. 1 will occur in a timely manner or in the configuration or to the density described in this Official Statement, or that Woodside, or any owners or affiliates thereof, or any other property owner described in this Official Statement will or will not retain ownership of its respective property within Improvement Area No. 1. Neither the Bonds nor the Special Tax represent personal obligations of any property owner within Improvement Area No. 1. The Bonds are secured by and payable solely from the Special Tax and amounts on deposit in certain of the funds and accounts established and maintained under the Indenture. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds. Neither the Bonds nor the Special Tax are personal obligations of the property owners within Improvement Area No. 1 or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Tax, the City may proceed with judicial foreclosure, but has no direct recourse to the assets of such property owner or any affiliate thereof.

General

Construction of improvements in Improvement Area No. 1 commenced in 2015. All of the property within Improvement Area No. 1 has been graded and all backbone and in-tract infrastructure necessary to complete the development as currently planned in Improvement Area No. 1 has been completed. Final maps for all of the property within Improvement Area No. 1 have been recorded, with the final map for Phase 1A of Improvement Area No. 1 consisting of 77 single family residential lots recorded on May 4, 2015, and the final map for Phase 1B recorded on December 18, 2015, creating the remaining 70 residential lots.

As of May 1, 2017 (May 1 being the date established in the Rate and Method for the determination of a taxing category in the subsequent Fiscal Year), 100 parcels within Improvement Area No. 1 constitute “Developed Property”, meaning that building permits had been obtained for such parcels by such date. Parcels classified as Developed Property for the Fiscal Year 2017-18 Facilities and Maintenance Special Tax levy include completed homes occupied by homeowners and homes under construction. The Facilities and Maintenance Special Tax levy allocable to Developed Property represents approximately 98% of the total projected Fiscal Year 2017-18 Facilities and Maintenance Special Tax levy. The remaining Taxable Property in Improvement Area No. 1 was taxed as “Undeveloped Property” in Fiscal Year 2017-18, meaning that no building permits had been obtained for such parcels as of May 1, 2017. The Facilities and Maintenance Special Tax levy for Fiscal Year 2017-18 allocable to Undeveloped Property represents approximately 2% of the levied Facilities and Maintenance Special Tax for such Fiscal Year. As of August 29, 2017, all building permits for the Improvement Area had been issued. Therefore, beginning Fiscal Year 2018-19, all property will be classified as “Developed” for purposes of the Rate and Method and Special Tax levy.

Development Within Improvement Area No. 1. Improvement Area No. 1 encompasses a portion of the Parkshore Master Plan community in the City. The Parkshore Master Plan community is expected to include approximately 315 residential units at build-out. Improvement Area No. 1 is planned for the development of 147 single family detached homes, plus a public park and public right of ways. The homes in Improvement Area No. 1 are being constructed by Woodside and consist of cluster style homes, sharing a common private lane or paseo, in two product types being marketed as Granite Trails at Parkshore and Granite Reserve at Parkshore. Each product type has three floor plans. The homes within Granite Trails range in size from approximately 1,616 square feet to approximately 2,074 square feet, with base sale prices as of February 14, 2018 ranging from approximately \$484,990 to approximately \$514,990. The homes within Granite Reserve range in size from approximately 2,011 Square Feet to approximately 2,298 square feet, with base sales prices as of February 14, 2018 ranging from approximately \$484,990 to approximately \$514,990. Base sale prices exclude options, upgrades, lot premiums and any incentives being offered. There can be no assurance that actual base sales prices of the remaining homes will equal or exceed the base sales prices set forth above. Woodside commenced home construction within Improvement Area No. 1 in 2015. All of the property within Improvement Area No. 1 has been graded and all backbone and in-tract infrastructure necessary to complete the development as currently planned in Improvement Area No. 1 has been completed.

Property Ownership Within Improvement Area No. 1. The Developer acquired all of the property in the District in 2011. At that time, the property had been entitled by the previous owner for office uses and had been mass graded with some infrastructure constructed. Between 2011 and 2013, the Developer processed land use entitlements through the City to change the allowed use of the property within the District from an office development to a residential development. The 147 residential lots within Improvement Area No. 1 were purchased by Woodside from the Developer for \$16,170,000 in two phases. Woodside closed escrow on approximately half of the lots on May 1, 2014, and closed escrow on the balance of the lots on February 2, 2015. As of the Date of Value, 95 homes had been conveyed to individual homeowners.

Financing Plan

Woodside expects to finance the remaining site development costs, home construction costs, and carrying costs for its development in Improvement Area No. 1 (including property taxes and the Special Taxes) until full sell-out of its planned single-family detached homes in Improvement Area No. 1 through internal funding, including cash generated from its homebuilding operations and advances from affiliates of its ultimate parent, Woodside Homes Company, LLC. Woodside Homes Company, LLC has a \$330 million unsecured term loan (the “Woodside Term Loan”). Woodside Homes Company, LLC also has an unsecured revolving credit facility with borrowing capacity as of December 31, 2017 of \$120 million, subject to a borrowing base (the “Woodside Credit Facility”).

Although Woodside expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development schedule described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining site development and home construction costs will be available from Woodside or any other source when needed. While affiliates of Woodside have made such internal financing available in the past, there can be no assurance whatsoever of their willingness or ability to do so in the future. Neither Woodside nor any of its affiliates has any legal obligation of any kind to make any such funds available or to obtain loans.

If and to the extent that internal funding, including but not limited to home sales revenues, and borrowings under the Woodside Credit Facility are inadequate to pay the costs to complete the planned development by Woodside within Improvement Area No. 1 and other financing by Woodside is not put into place, there could be a shortfall in the funds required to complete the proposed development by Woodside in Improvement Area No. 1 or to pay ad valorem property taxes or Special Taxes related to Woodside's property in Improvement Area No. 1 and portions of the project may not be developed. Many factors beyond Woodside's control, or a decision by Woodside to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS – Failure to Develop Property."

Woodside Homes

General. Woodside 05N, LP, a California limited partnership (previously defined as "Woodside"), is wholly owned by Woodside Group, LLC, a Nevada limited liability company ("Woodside Group"), directly or through its wholly owned subsidiaries. Woodside is owned 99% directly by Woodside Group, as a limited partner. The remaining 1% interest is owned by WDS GP, Inc., a California corporation, as its general partner, which is wholly owned by Woodside Homes of California, Inc., a California corporation, which in turn is wholly owned by Woodside Group. The parent of Woodside Group is Woodside Homes Company, LLC, a Delaware limited liability company.

Woodside Group's subsidiaries engage in the design, construction, and sale of single-family homes under the brand name of "Woodside Homes." Woodside Homes is one of America's top 30 homebuilders having built more than 40,000 homes across the United States, with current operations in Arizona, California, Nevada, Texas and Utah.

On February 28, 2017, Sekisui House, Ltd. ("Sekisui House"), acquired all of the membership interests in Woodside Homes Company, LLC pursuant to a Merger Agreement, dated February 27, 2017, by and between Sekisui House and Woodside Homes Company, LLC (the "Merger Agreement"). Pursuant to the Merger Agreement, SH Residential Holdings, LLC, a subsidiary of Sekisui House US Holdings, LLC, which is a wholly owned subsidiary of Sekisui House, completed the merger of Crayon Special Vehicle-I, LLC, a wholly owned subsidiary of SH Residential Holdings, LLC and Woodside Homes Company, LLC (the "Merger"), with Woodside Homes Company, LLC being the surviving entity. Immediately following the Merger, Woodside Homes Company, LLC became a wholly owned subsidiary of SH Residential Holdings, LLC. In addition, North America Sekisui House, LLC, a wholly owned subsidiary of Sekisui House, became a wholly owned subsidiary of Sekisui House US Holdings, LLC.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed below could adversely affect the ability or willingness of property owners in Improvement Area No. 1 to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed below could adversely affect the value of the property in Improvement Area No. 1. See "—Land Values and Appraisal Risk" and "—Limited Secondary Market."

Risks of Real Estate Secured Investments Generally

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of Improvement Area No. 1, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure, including as a result of tax reform; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that Woodside or any current or future homeowners within Improvement Area No. 1 will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “— Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the City’s ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

Based on the ownership status of the property within Improvement Area No. 1 as of the Date of Value, approximately 35% of the estimated Fiscal Year 2018-19 Maximum Facilities Special Tax would be paid by Woodside. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” above. Failure of Woodside or any future merchant builder or developer, or any of their successor(s), to pay the Special Tax when due could result in a draw on the Bond Reserve Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that Woodside or any future merchant builders or their successors, will complete the remaining intended construction and development in Improvement Area No. 1. See “— Failure to Develop Properties.”

Limited Obligations

The Bonds are not payable from the general funds of the City. Except with respect to the Special Tax, neither the faith and credit nor the taxing power of the City is pledged for the payment of the Bonds or related interest, and, except as provided in the Indenture, no owner of the Bonds may compel the exercise of any taxing power by the City or force the forfeiture of any City property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s property or upon any of the City’s income, receipts or revenues, except the Special Tax and other amounts pledged under the Indenture.

Insufficiency of Special Tax

In order to pay debt service on the Bonds, it is necessary that the Special Tax be paid in a timely manner. The City will establish and fund upon the issuance of the Bonds a Series 2018 Bond Reserve Subaccount in the Bond Reserve Fund in an amount equal to the Required Bond Reserve to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund.” The City will covenant in the Indenture to maintain in the Series 2018 Bond Reserve Subaccount an amount equal to the Required Bond Reserve, subject, however, to the limitation that the City may not levy the Special Tax in Improvement Area No. 1 in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method. In addition, pursuant to the Act, under no circumstances will the Special Tax levied in any Fiscal Year against property within Improvement Area No. 1 for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner of any other property within Improvement Area No. 1 by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Series 2018 Bond Reserve Subaccount to the Required Bond Reserve due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the subaccount of the Series 2018 Bond Reserve Subaccount could be depleted and a default on the Bonds could occur.

The City will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with a delinquent Special Tax in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS — Special Tax —*Foreclosure Covenant*” for provisions which apply in the event of such foreclosure and which the City is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are instituted, there could be a delay in payments to owners of the Bonds (if Series 2018 Bond Reserve Subaccount has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on Taxable Property in Improvement Area No. 1, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Series 2018 Bond Reserve Subaccount to an amount equal to the

Required Bond Reserve and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property in Improvement Area No. 1 will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See “—Bankruptcy and Foreclosure” for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on Assessor’s Parcels of certain Open Space Property, Property Owner Association Property and Public Property. See Section F of APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If for any reason property within Improvement Area No. 1 becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within Improvement Area No. 1. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within Improvement Area No. 1 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area No. 1 was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

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. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including Improvement Area No. 1, 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 protect the Holders of the Bonds from the risk of delinquencies in the payment of the Special Tax. 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. A termination of the Teeter Plan with respect to Improvement Area No. 1 would eliminate such protection from delinquencies in the payment of the Special Tax. See “SOURCES OF PAYMENT FOR THE BONDS – Teeter Plan.”

Failure to Develop Properties

Development of property within Improvement Area No. 1 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of Woodside or any property owner to pay the Special Tax when due. Land development is subject to comprehensive federal, State 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. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in Improvement Area No. 1 is also subject to the availability of water. Finally, development of land is subject to economic considerations.

The area included in Improvement Area No. 1 has been graded and backbone and in-tract infrastructure (sewer, water, storm drains, utilities, and arterial roads) within Improvement Area No. 1 has been completed. As of the date of this Official Statement, the property within Improvement Area No. 1 varies from lots in a blue top condition to completed homes and construction and sale of production homes is underway. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Holders should it be necessary for the City to foreclose on the property due to the nonpayment of the Special Tax. The failure to complete development in Improvement Area No. 1 as planned, or substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within Improvement Area No. 1 and increase the length of time during which the Special Tax will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within Improvement Area No. 1 to pay the Special Tax when due.

There can be no assurance that land development operations within Improvement Area No. 1 will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership (including as a result of recent federal tax law changes), or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the Special Tax. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Holders should assume that any event that significantly impacts the ability to develop land in Improvement Area No. 1 would cause the property values within Improvement Area No. 1 to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within Improvement Area No. 1 to pay the Special Tax when due.

Although the City expects all property will be classified as Developed Property for the Special Tax levy in Fiscal Year 2018-19 and in future fiscal years, certain parcels classified as Developed Property do not yet have vertical improvements constructed. Partially developed is less valuable per unit of area than fully developed property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The partially developed property also provides less security to the Holders should it be necessary for the City to foreclose on partially developed property due to the nonpayment of the Special Tax. Furthermore, an inability to develop the land within Improvement Area No. 1 as currently proposed will make the Holders dependent upon timely payment of the Special Tax levied on such partially developed property. A slowdown or stoppage in the continued development of Improvement Area No. 1 could reduce the willingness and ability of Woodside to make Special Tax payments on property that they own, including such partially developed lots, and could greatly reduce the value of such property in the event it has to be foreclosed upon. See “— Land Values and Appraisal Risk.”

Natural Disasters

The market value of the property within Improvement Area No. 1 can be adversely affected by a variety of factors that may affect public and private improvements. Those additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as droughts, fire hazard, and floods). The property within Improvement Area No. 1 is not located within an Alquist-Priolo Earthquake Fault Zone.

With respect to geologic conditions, building codes require that some of these factors be taken into account in the design of private improvements of the parcels, and the City has adopted the Uniform Building Code standards with regard to seismic standards. Design criteria are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of, nor the establishment of, design criteria with respect to any particular condition means that the applicable governmental agency has evaluated the condition and has established design criteria in the situations in which the criteria are needed to preserve value, or has established the criteria at levels that will preserve value. To the contrary, the City expects 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 because of the cost, because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances, the actual value of the parcels might depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Improvement Area No. 1 is located Zone X (shaded), meaning that it is within the limits of the 500-year floodplain.

Folsom Dam, located on the American River within the jurisdictional boundaries of the City, was built in 1955 by the United States Army Corps of Engineers and is owned by the United States Bureau of Reclamation. The Army Corps of Engineers recently constructed an auxiliary spillway to enable the dam to more easily release water as it nears capacity. The City, together with the County and other local agencies, have established a hazard mitigation plan in the event of a dam failure. Geologic, topographic and climatic conditions, if severe, could result in damage to the dam which could further cause damage to the surrounding region and may limit water supply for the City and the District.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. 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 taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

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 such substance. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the taxable property within Improvement Area No. 1, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. Woodside has represented to the City that it is not aware of any federally or State classified hazardous substance located on its property within Improvement Area No. 1. The City has not independently determined whether any owner (or operator) of any of the parcels within Improvement Area No. 1 has such a current liability with respect to any such parcel; nor is the City aware of any owner (or operator) who has such a liability. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

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

An owner of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the Taxable Property. If the value of the parcel of Taxable Property is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the City has no recourse against the property owner.

Land Values and Appraisal Risk

The value of the property within Improvement Area No. 1 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of the Special Tax, the City's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Tax. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or

floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Tax. See “IMPROVEMENT AREA NO. 1 —Value-to-Lien Ratios.”

The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, the impact of tax reform, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within Improvement Area No. 1, the listing of endangered species or the determination that habitat for endangered or threatened species exists within Improvement Area No. 1, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within Improvement Area No. 1 could be sold for the amount stated in the Appraisal Report at a foreclosure sale as a result of delinquencies in the Special Tax. In arriving at the estimate of market value by ownership, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time; the Appraiser also assumes that neither the buyer or seller is under duress, which is not always true in a foreclosure sale. See APPENDIX B — “APPRAISAL REPORT” for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser’s assumptions to be untrue could result in a reduction of the value of the land within Improvement Area No. 1 below that estimated by the Appraiser.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that any bid will be received for a parcel with delinquencies in the Special Tax offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquencies in the Special Tax. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens.”

Recent Changes to Federal Income Tax Law

H.R. 1 of the 115th U.S. Congress was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Code. Neither the City nor Woodside can predict the effect that the Tax Act may have on the cost of home ownership, the price of homes in Improvement Area No. 1, the rate at which homes in Improvement Area No. 1 are sold to individual homeowners by Woodside, the ability or willingness of homeowners to pay Special Tax or property taxes on Taxable Property within Improvement Area No. 1, or the values contained in this Official Statement or in the Appraisal.

Parity Taxes and Special Assessments

Property within Improvement Area No. 1 is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within Improvement Area No. 1. See “IMPROVEMENT AREA NO. 1 — Direct and Overlapping Indebtedness.”

The Special Tax and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a 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 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 except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “— Bankruptcy and Foreclosure.”

The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within Improvement Area No. 1. In addition, the landowners within Improvement Area No. 1 may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem*

taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Tax and could reduce the estimated value-to-lien ratios for the property within Improvement Area No. 1 described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “IMPROVEMENT AREA NO. 1 — Direct and Overlapping Indebtedness” and “—Value to Lien Ratios.”

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether the owner (1) was given due notice of the Special Tax authorization when the owner purchased the parcel; (2) was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate, and the risk of such a levy; and (3) has the ability at the time of such a levy to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel. 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 property within Improvement Area No. 1 or lending of money thereon.

The 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 special tax under the Act 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 when due.

Special Tax Collections

Under provisions of the Act, the Special Tax, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within Improvement Area No. 1 on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that 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.

See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens” for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Indenture, in the event of delinquencies in the payment of the Special Tax. See “— Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the City’s ability to foreclosure on the lien of the Special Tax in certain circumstances.

FDIC/Federal Government Interests in Properties

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

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to the Special Tax within Improvement Area No. 1 but does not pay taxes and assessments levied on the parcel (including the Special Tax), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquencies in the payment of the Special Tax, 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 Tax and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Tax within Improvement Area No. 1, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. If any financial institution making any loan which is secured by real property within Improvement Area No. 1 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid amounts of the Special Tax 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. The special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of the Special Tax on a parcel within Improvement Area No. 1 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Tax to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Series 2018 Bond Reserve Subaccount and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds. The payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Tax—*Foreclosure Covenant*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Although a bankruptcy proceeding would not cause the Special Tax to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the “Bankruptcy Reform Act”) included a provision which excepts from the Bankruptcy Code’s automatic stay provisions, “the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court].” This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as “administrative expenses,” rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court’s ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Tax is secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Tax levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of the Special Tax received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, the Trustee is given the right for the equal benefit and protection of all Holders of the Bonds similarly situated to pursue certain remedies described in APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default and Remedies.”

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early

redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Holders on a timely basis. See “CONTINUING DISCLOSURE.” Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Tax available to the City to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIC states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Tax if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council to reduce the Special Tax in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of the Special Tax that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Tax in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of the Special Tax for Expenses.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS — Limitations on Remedies.”

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 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 the District, there were no registered voters within the District 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 elections in the District. 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 with respect to Improvement Area No. 1 was approved by the voters in March 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.

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of Woodside to complete the remaining proposed development within Improvement Area No. 1.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer,

moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

CONTINUING DISCLOSURE

City Continuing Disclosure

The City has covenanted for the benefit of the Owners to provide certain financial information and operating data relating to the Bonds by not later than March 31 in each year commencing with the report for the 2017-18 Fiscal Year (the "City Report"), which is due March 31, 2019, and to provide notices of the occurrence of certain enumerated events. The City Report and the notices of enumerated events will be filed with EMMA. The specific nature of the information to be contained in the City Report or the notices of enumerated events is contained within APPENDIX F—"FORM OF CITY 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) in January 2014, the Folsom Public Financing Authority's (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; (2) the City failed to file notices of significant events related to ratings changes of bond insurers on seven occasions; (3) the City, as Successor Agency to the Former Redevelopment Agency of the City of Folsom, failed to file certain information about top taxpayers in the annual report for Fiscal Year 2013; and (4) 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. 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.

Woodside Continuing Disclosure

Pursuant to a Woodside Continuing Disclosure Certificate (the "Woodside Continuing Disclosure Certificate"), Woodside has covenanted to provide on a semiannual basis certain financial information and operating data relating to Woodside, its development plan and its financing plan (the "Woodside Disclosure Reports"), and to provide notices of the occurrence of certain enumerated events, until the property within Improvement Area No. 1 is developed to the planned development stage or until Woodside's obligation to so provide such information, data and notices is otherwise terminated in accordance with the provisions of the Woodside Continuing Disclosure Certificate. A form of the Woodside Continuing Disclosure Certificate is included in APPENDIX G—"FORM OF WOODSIDE CONTINUING DISCLOSURE CERTIFICATE." The Woodside Disclosure Reports are to be filed by Woodside with EMMA.

Except as disclosed in the next paragraph, to the Actual Knowledge of Woodside (defined below), Woodside has not failed in any material respect to comply with any previous undertaking by it to provide periodic continuing disclosure reports or notices of material events with respect to community facilities districts or assessment districts in California within the past five years. "Actual Knowledge of Woodside" shall mean the knowledge that the authorized officer or representative of Woodside (the "Authorized Officer") signing the certificate containing the above representation (the "Woodside Letter of Representations") currently has as of the date of the Woodside Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of Woodside and its Affiliates (as defined in the Woodside Letter of Representations) as such Authorized Officer has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Woodside Letter of Representations, and/or (ii) review of documents that were reasonably available to such Authorized Officer and which such Authorized Officer has reasonably deemed necessary for such Authorized

Officer to obtain knowledge of the matters set forth in the Woodside Letter of Representations. The Authorized Officer has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of Woodside's current business and operations.

In the last five years, Woodside (i) failed to include annual financial statements with certain annual reports dating back to 2011, although such financial statements were subsequently filed in 2014, and (ii) failed to file semi-annual reports for 2012 with respect to a continuing disclosure obligation, although subsequent reports and a notice of termination of obligation were filed in 2013. Identification of such above-described events does not constitute a representation by Woodside that such events were material.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("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 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 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C — "PROPOSED FORM OF OPINION OF BOND COUNSEL."

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 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 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 Bonds is the first price at which a substantial amount of such maturity of the 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 Bonds accrues daily over the term to maturity of such 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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 Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 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 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 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 Bonds may adversely affect

the value of, or the tax status of interest on, the 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 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 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 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. 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 Bonds. Prospective purchasers of the 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 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 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 City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its 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 City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 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 Bonds, and may cause the City or Beneficial Owners to incur significant expense.

LEGAL MATTERS

The validity of the Bonds and certain legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is attached hereto as Appendix C. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the Office of the City Attorney.

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory agency, public board or body pending or threatened against the City affecting its existence, or the titles of its officers, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or levy of the Special Taxes to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, or any other applicable agreements or any action of 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 City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents.

MUNICIPAL ADVISOR

The City has retained Fieldman, Rolapp & Associates, Inc., as municipal advisor (the “Municipal Advisor”) in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. The Municipal 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.

Compensation of the Municipal Advisor relating to the issuance of the Bonds is contingent upon the issuance of the Bonds.

NO RATING

The City has not made and does not contemplate making application to any rating agency for the assignment of a rating to the Bonds.

UNDERWRITING

The Bonds are being purchased by Hilltop Securities Inc. The Underwriter has agreed to purchase the Bonds at a price of \$5,641,771.18, being \$5,770,000.00 aggregate principal amount thereof, less net original issue discount of \$73,448.35 and less Underwriter’s discount of \$54,780.47. The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions. 42

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

ADDITIONAL INFORMATION

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Holders of the Bonds. The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

The distribution of this Official Statement has been authorized by the City.

CITY OF FOLSOM

By: /s/ James Francis
Finance Director/Chief Financial Officer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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**RATE AND METHOD OF APPORTIONMENT FOR
CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 16
(The Islands at Parkshore)
Improvement Area 1**

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. 16 (The Islands at Parkshore) Improvement Area 1 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 "Developed Property", "Undeveloped Property", and "Taxable Contingent Property" as described below. All of the Taxable Property within CFD No. 16 IA1, 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, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel. If the preceding maps for a land area are not available, the Acreage of such land area shall be determined by the City Engineer of the City or designee thereof.

"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. 16 IA1 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. 16 IA1 or any designee thereof of complying with arbitrage rebate requirements or responding to questions from the IRS pertaining to any Bonds or any audit of any Bonds by the IRS; the costs to the City, CFD No. 16 IA1 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. 16 IA1 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. 16 IA1 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.

“Assigned Facilities Special Tax” means the Special Tax for each Land Use Class of Developed Property as determined in accordance with Section C.1.a.

“Assigned Maintenance Special Tax” means the Special Tax for each Land Use Class of Developed Property as determined in accordance with Section D.1.a.

“Backup Facilities Special Tax” means the Backup Special Tax amount set forth in Section C.1.b.

“Bonds” means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 16 IA1 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. 16 IA1” means City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area 1.

“City” means the City of Folsom.

“Council” means the City Council of the City, acting as the legislative body of CFD No. 16 IA1.

“County” means the County of Sacramento.

“Developed Property” means all Assessor’s Parcels of Taxable Property for which a building permit has been issued prior to May 1st preceding the Fiscal Year in which the Special Tax is being levied.

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

“Facilities Special Tax Requirement” means that amount of Special Tax revenue required in any Fiscal Year for CFD No. 16 IA1 to: (i) Pay Administrative Expenses in an amount equal to Administrative Expense Requirement or such other amount as may be 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. 16 IA1; less (vi) a credit for funds available to reduce the annual Special Tax levy as determined by the CFD Administrator pursuant to the Indenture.

“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.

“Land Use Class” means any of the classes listed in the tables of Section C.1.a.

“Lots” means an individual legal lot created by a Final Subdivision Map for which a building permit for residential construction has been or could be issued. Notwithstanding the foregoing, in the case of an individual legal lot created by such a Final Subdivision Map upon which condominium units are entitled to be developed but for which a condominium plan has not been recorded, the number of Lots allocable to such legal lot for purposes of calculating the Backup Special Tax applicable to such Final Subdivision Map shall equal the number of condominium units which are permitted to be constructed on such legal lot as shown on such Final Subdivision Map.

“Maintenance Administrative Expense Requirement” means that portion of the total CFD No. 16 IA1 Administrative Expenses that are actual or reasonably estimated costs directly related to the administration of the maintenance Special Tax.

“Maintenance Special Tax Escalation Factor” means the June annualized percentage change of the Consumer Price Index for all Urban Consumers, for the San Francisco-Oakland-San Jose area, not to exceed four percent (4%). In the event that the percentage change is negative, the Maintenance Special Tax Escalation Factor shall be equal to zero.

“Maintenance Special Tax Requirement” means that amount of Special Tax revenue required in any Fiscal Year for CFD No. 16 IA1 to: (i) Pay Administrative Expenses in an amount equal to the Maintenance Administrative Expense Requirement or such other amount as may be designated by the City; (ii) pay authorized maintenance expenses for CFD No. 16 IA1; (iii) pay any amounts required to establish or replenish any repair and contingency funds, capital improvement funds, or reserve funds related to the maintenance activities for CFD No. 16 IA1; (iv) cover any shortfall that exists if, in any Fiscal Year, the levy of the Maximum Facilities Special Tax on each Assessor's Parcel of Taxable Property is insufficient to pay the Facilities Special Tax Requirement in that Fiscal Year; and (v) pay for reasonably anticipated delinquent maintenance Special Taxes based on the delinquency rate for maintenance Special Taxes levied in the previous Fiscal Year; less (vi) a credit for

funds available to reduce the annual maintenance Special Tax levy as determined by the CFD Administrator.

“Maximum Facilities 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.

“Maximum Maintenance 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.

“Minimum Taxable Acreage” means, at the time of the issuance of the first series of Bonds and at all times thereafter, 7.48 Acres.

“Net Developable Acreage” means the Acreage of land identified in CFD 16 IA1 that can be used for density calculations and is suitable as a location for structures and that can be developed free of hazards, and without disruption of, or significant impact on, natural resource areas.

“Open Space Property” means property within the boundaries of CFD No. 16 IA1 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.

“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. 16 IA1 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 Developed Property that the ratio of the Special Tax levy to the Assigned Special Tax or the Backup Special Tax is equal for all Assessors’ Parcels of Developed Property within CFD No. 16 IA1. For Undeveloped Property or Taxable Contingent Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property and equal for all Assessor’s Parcels of Taxable Contingent Property within CFD No. 16 IA1.

“Public Property” means any property within the boundaries of CFD No. 16 IA1 that 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 Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by the CFD Administrator by reference to appropriate records kept by the City’s building department. Residential Floor Area for a residential structure will be based on the building permit(s) issued for such structure prior to it being classified as Developed Property, and shall not change as a result of additions or modifications made to such structure after such classification as Developed Property.

“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 Facilities Special Tax Requirement and Maintenance Special Tax Requirement.

“State” means the State of California.

“Taxable Contingent Property” means any Assessor’s Parcel of Open Space Property, Property Owner Association Property, Public Property, or other property that would otherwise be classified as Exempt Property pursuant to the provisions of Section E, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property located within CFD No. 16 IA1 below the Minimum Taxable Acreage for CFD No. 16 IA1.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 16 IA1 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. 16 IA1 and the City under such Indenture.

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

“Unit” means a structure available for sale or rent for residential occupancy.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor's Parcels of Taxable Property within CFD No. 16 IA1 shall be (a) classified as Developed Property, Undeveloped Property, or Taxable Contingent Property and (b) shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below.

C. MAXIMUM FACILITIES SPECIAL TAX RATE

1. Developed Property

The Maximum Annual Special Tax for each Assessor's Parcel of Developed Property shall be the greater of (1) the Assigned Facilities Special Tax described in Section C.1.a or (2) the Backup Facilities Special Tax computed pursuant to Section C.1.b.

a. Assigned Facilities Special Tax

The Assigned Facilities Special Tax for each Assessor's Parcel of Developed Property is shown in Table 1.

TABLE 1

Assigned Facilities Special Tax for Developed Property
(Fiscal Year 2015-2016)

Land Use Class	Description	Residential Floor Area	Assigned Facilities Special Tax
1	Residential Property	> 2,100	\$2,316 per Unit
2	Residential Property	1,751 – 2,100	\$2,124 per Unit
3	Residential Property	1,651 – 1,750	\$1,893 per Unit
4	Residential Property	< 1,651	\$1,829 per Unit

b. Backup Facilities Special Tax

When a Final Subdivision Map is recorded within CFD No. 16 IA1, the Backup Facilities Special Tax for each Assessor's Parcel of Developed Property shall be determined as follows:

$$B = (\$41,030 \times A) / L$$

These terms have the following meaning:

- B** = Backup Facilities Special Tax per Lot
- A** = Net Developable Acreage shown on the Final Subdivision Map
- L** = Number of Lots shown on the Final Subdivision Map

c. **Increase in the Assigned Facilities Special Tax and Backup Facilities Special Tax**

On each July 1, commencing on July 1, 2016, the Assigned Facilities Special Tax and the Backup Facilities Special Tax for Developed Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. **Undeveloped Property and Taxable Contingent Property**

a. **Maximum Facilities Special Tax**

The Maximum Facilities Special Tax for each Assessor's Parcel of Undeveloped Property and Taxable Contingent Property shall be \$19,762 per Acre in Fiscal Year 2015-2016.

b. **Increase in the Maximum Facilities Special Tax**

On each July 1, commencing on July 1, 2016, the Maximum Facilities Special Tax for Undeveloped Property and Taxable Contingent Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. **MAXIMUM MAINTENANCE SPECIAL TAX RATE**

1. **Developed Property**

The Maximum Maintenance Special Tax for each Assessor's Parcel of Developed Property shall be equal to the Assigned Maintenance Special Tax described in Section D.1.a.

a. **Assigned Maintenance Special Tax**

The Assigned Maintenance Special Tax for each Assessor's Parcel of Developed Property is shown in Table 2.

TABLE 2

Assigned Maintenance Special Tax for Developed Property
(Fiscal Year 2015-2016)

Land Use Class	Description	Residential Floor Area	Assigned Maintenance Special Tax
1	Residential Property	> 2,100	\$554 per Unit
2	Residential Property	1,751 – 2,100	\$554 per Unit
3	Residential Property	1,651 – 1,750	\$554 per Unit
4	Residential Property	< 1,651	\$554 per Unit

b. Increase in the Assigned Maintenance Special Tax

On each July 1, commencing on July 1, 2016, the Assigned Maintenance Special Tax for Developed Property shall be increased by the Maintenance Special Tax Escalation Factor of the amount in effect for the previous Fiscal Year.

3. Undeveloped Property and Taxable Contingent Property

a. Maximum Maintenance Special Tax

The Maximum Maintenance Special Tax for each Assessor's Parcel of Undeveloped Property and Taxable Contingent Property shall be \$5,244 per Acre in Fiscal Year 2015-2016.

b. Increase in the Maximum Maintenance Special Tax

On each July 1, commencing on July 1, 2016, the Maximum Maintenance Special Tax for Undeveloped Property and Taxable Contingent Property shall be increased by the Maintenance Special Tax Escalation Factor of the amount in effect for the previous Fiscal Year.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

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

1. Facilities Special Tax

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

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

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

Fourth: If additional monies are needed to satisfy the Facilities Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied

Proportionately on all Taxable Contingent Property at a rate up to 100% of the Maximum Facilities Special Tax for Taxable Contingent Property.

2. Maintenance Special Tax

If, in any Fiscal Year, the Maximum Facilities Special Tax is levied against each Assessor's Parcel of Taxable Property within CFD No. 16 and the revenues generated are insufficient to pay the Facilities Special Tax Requirement, such shortfall shall be deemed a component of the Maintenance Special Tax Requirement in that Fiscal Year, and proceeds from the levy of the Maintenance Special Tax shall first be applied to mitigate the shortfall in the Facilities Special Tax Requirement before being used to pay for authorized services.

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

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

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed 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.

F. EXEMPTIONS

1. No Special Tax shall be levied on up to 8.05 Acres of Open Space Property, Property Owner Association Property, and Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Open Space Property, Property Owner Association Property, or Public Property.
2. Open Space Property, Property Owner Association Property, or Public Property that is not exempt from Special Taxes under this section shall be classified as Taxable Contingent Property. Taxable Contingent Property shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section E above, at up to 100% of the applicable Maximum Facilities Special Tax for Taxable Contingent Property.
3. The Maximum Facilities Special Tax obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency but which is classified as Developed Property pursuant to Section F.1 above shall be prepaid in full by the seller pursuant to Section J.1, prior to the transfer/dedication of such property to such public agency. Until the Maximum Facilities Special Tax obligation for any such property is prepaid, the property shall continue to be subject to the levy of the Special Tax as Developed Property.

4. 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 F.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.

G. REVIEW/APPEAL COMMITTEE

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 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.

H. INTERPRETATIONS

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

I. 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. 16 IA1 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.

J. PREPAYMENT OF MAXIMUM FACILITIES SPECIAL TAX

The following definitions apply to this Section J:

"CFD Public Facilities" means those public facilities authorized to be financed by CFD No. 16 IA1.

"CFD Public Facilities Costs" means either \$4,005,163 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 City of San Francisco, 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 City of San Francisco.

“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) interest earnings on the Construction Fund actually earned prior to the date of prepayment and (c) 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 Facilities Special Taxes.

1. Prepayment in Full

The Maximum Facilities Special Tax obligation of an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued 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 Facilities 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 Maximum Maintenance Special Tax obligation for the maintenance portion may not be prepaid.

The Facilities 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 Facilities 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 Developed Property, compute the Assigned Facilities Special Tax and Backup Facilities Special Tax. For Assessor's Parcels of Undeveloped Property to be prepaid, compute the Assigned Facilities Special Tax and Backup Facilities Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. a. Divide the Assigned Facilities Special Tax computed pursuant to Step 2 by the total estimated Assigned Facilities Special Taxes for the entire CFD No. 16 IA based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 16 IA1, excluding any Assessor's Parcels which have prepaid the Maximum Facilities Special Tax.

b. Divide the Backup Facilities Special Tax computed pursuant to Step 2 by the total estimated Backup Facilities Special Taxes for the entire CFD No. 16 IA based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 16 IA, excluding any Assessor's Parcels which have prepaid the Maximum Facilities Special Tax.
4. Multiply the larger quotient computed pursuant to Step 3.a or 3.b 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 larger quotient computed pursuant to Step 3.a or 3.b 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 Facilities Special Tax Requirement which have not yet been paid.
10. Compute the amount the 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 larger quotient computed pursuant to Step 3.a or 3.b by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "*Capitalized Interest Credit*").
14. The Maximum Facilities 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 "*Facilities Prepayment Amount*").
15. From the Facilities 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, 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. 16 IA1.

The Facilities 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 Facilities Special Tax prepayment shall be allowed unless the amount of Maximum Facilities 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 Facilities Special Tax obligation of an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be partially prepaid in increments of \$5,000. The amount of the prepayment shall be calculated as in Section J.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 Facilities Prepayment Amount

PE = the Facilities Prepayment Amount calculated according to Section J.1

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

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

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Facilities Special Tax obligation shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Facilities 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 J.1, and (ii) indicate in the records of CFD No. 16 IA1 that there has been a partial prepayment of the Maximum Facilities Special Tax obligation and that a portion of the Maximum Facilities Special Tax obligation equal to the outstanding percentage $(1.00 - F)$ of the remaining Maximum Facilities Special Tax obligation shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section E.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Maximum Facilities 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.

K. TERM OF SPECIAL TAX

The Maximum Facilities Special Tax shall be levied commencing in Fiscal Year 2015-2016 to the extent necessary to fully satisfy the Facilities Special Tax Requirement and shall be levied for a period no longer than the 2055-2056 Fiscal Year.

The Maximum Maintenance Special Tax shall be levied commencing in Fiscal Year 2015-2016 and shall be levied until such time the City determines that revenues are no longer needed to pay the Maintenance Special Tax Requirement.

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APPENDIX B
APPRAISAL REPORT

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Appraisal of Real Property

**Properties within City of Folsom Community Facilities District No. 16
(The Islands at Parkshore), Improvement Area No. 1**

South side of Parkshore Drive, east of Folsom Boulevard
Folsom, Sacramento County, California 95630

Prepared For:

City of Folsom

Effective Date of the Appraisal:

January 2, 2018

Report Format:

Appraisal Report – Standard Format

IRR - Sacramento

File Number: 193-2017-0046





**Properties within City of Folsom Community Facilities District No. 16 (The Islands at Parkshore),
Improvement Area No. 1**

South side of Parkshore Drive, east of Folsom Boulevard
Folsom, California



January 19, 2018

Mr. James Francis
Director / CFO
City of Folsom
50 Natoma Street
Folsom, CA 95630

SUBJECT: Market Value Appraisal
 Properties within City of Folsom Community Facilities District No. 16
 (The Islands at Parkshore), Improvement Area No. 1
 South side of Parkshore Drive, east of Folsom Boulevard
 Folsom, Sacramento County, California 95630
 IRR - Sacramento File No. 193-2017-0046

Dear Mr. James Francis:

Integra Realty Resources – Sacramento has prepared an appraisal report for the purpose of estimating the market value (fee simple estate) of certain properties within the boundaries of the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) (the “CFD”), Improvement Area No. 1.

Community Facilities District No. 16 (The Islands at Parkshore) includes multiple parcels located within the Parkshore Master Plan in the City of Folsom. The CFD includes Improvement Areas No. 1 and 2 which are separated by Parkshore Drive. The subject properties are only properties within Improvement Area No. 1, which is located along the south side of Parkshore Drive. The subject comprises the properties within the boundaries of Improvement Area No. 1 of the CFD, which are subject to the lien of the Special Tax securing the CFD Special Tax Bonds, Series 2018 (the “CFD Bonds”) and not exempt (taxable parcels), and have not yet been sold to homeowners and reassessed.

The purpose of the appraisal is to provide a market value of the fee simple interest in the appraised properties by ownership and Assessor’s parcel, as well as an aggregate, or cumulative value of the properties, subject to the Lien of the Special Tax associated with the subject CFD Bonds (*fee simple estate*), as of January 2, 2018. The appraised properties

comprise the remaining residential lots within Improvement Area No. 1 of the CFD, *not* improved with a single-family residence. In addition, those residential lots with completed single-family homes without an assessed value for vertical improvements were included in the scope of this appraisal assignment. A not-less-than estimate of market value based on the smallest floor plan constructed within both of the product lines developed by the homebuilder was appraised and assigned to each respective Assessor's parcel with a completed home within the subject.

The appraisal report has been conducted in accordance with appraisal standards and guidelines found in 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). This document is an Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2018-2019 edition of USPAP.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion				
Property Owner	Lot Description	No. of Lots	Concluded Lot	
			Value (Rd.)	Extension (Rd.)
Woodside 05N Limited Partnership	<u>Completed/Appraised Homes</u>			
	Marron	5	\$450,000	\$2,250,000
	Arandis	<u>5</u>	\$495,000	\$2,475,000
	<i>Subtotal</i>	10		\$4,725,000
	<u>Single-Family Lots (Bulk Value)</u>			
		<u>42</u>	<i>Bulk Value</i>	<u>\$6,680,000</u>
	<i>Subtotal</i>	52		<u>\$11,405,000</u>
Woodside 05N Limited Partnership			Not less than	\$11,405,000
Individual Homeowners	<u>Completed/Appraised Homes</u>			
	Marron	26	\$450,000	\$11,700,000
	Arandis	<u>21</u>	\$495,000	\$10,395,000
	<i>Subtotal</i>	47		<u>\$22,095,000</u>
Individual Homeowners			Not less than	\$22,095,000
TOTAL AGGREGATE VALUE OF APPRAISED PROPERTIES WITHIN IA1 OF THE DISTRICT			Not less than	\$33,500,000
Aggregate Retail Value of Existing Homes (Based on Assessed Value)		48		\$21,721,715
TOTAL AGGREGATE VALUE OF APPRAISED & ASSESSED PROPERTIES WITHIN IA1 OF THE DISTRICT		147	Not less than	\$55,221,715

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Permits and fees estimates were provided by a representative of the home builder. It is assumed the cost/fee estimates are accurate and complete. Any deviation of actual costs from the estimates inputted in this appraisal could materially affect the conclusion(s) of value contained herein.
2. The effective date of the appraisal is January 2, 2018. The property was inspected on December 27, 2017. It is assumed that the property was in the same condition on the effective date as the date of inspection.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Certain of the proceeds from the CFD Bonds will be used to reimburse for infrastructure improvements. The market value estimated herein is based on the hypothetical condition the portion of public infrastructure improvements and impact fees financed by proceeds from the CFD Bonds are in place and have been paid as of the date of value. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the CFD Bonds.
-

Any properties within the appraised portion of Improvement Area No. 1 not subject to the Lien of the Special Tax securing the CFD Bonds (public and quasi-public land use sites), are not a part of this appraisal and, therefore, are not included in the market value. We were requested to include the assigned assessed value for both land and improvements for the existing single-family homes (that have assessed values) to provide the total aggregate value of the appraised and assessed properties.

The market value of the appraised properties by ownership and Assessor's parcel numbers can be found in the Addendum to this appraisal report.

Mr. James Francis
City of Folsom
January 19, 2018
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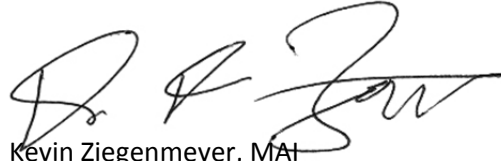
If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - SACRAMENTO



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Summary of Salient Facts and Conclusions

Property Name	Properties within City of Folsom Community Facilities District No. 16 (The Islands at Parkshore), Improvement
Location	South side of Parkshore Drive, east of Folsom Boulevard Folsom, Sacramento County, California 95630
Property Type	Land - Residential Subdivision
Owner of Record	Woodside 05N Limited Partnership and individual
Tax ID	See Addendum
Land Area	15.50 acres; 675,180 SF
Zoning Designation	RM PD, Residential Multi-Family, Planned Development
Highest and Best Use	Single-family residential development
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	January 2, 2018
Date of the Report	January 19, 2018
Property Interest Appraised	Fee Simple

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Permits and fees estimates were provided by a representative of the home builder. It is assumed the cost/fee estimates are accurate and complete. Any deviation of actual costs from the estimates inputted in this appraisal could materially affect the conclusion(s) of value contained herein.
2. The effective date of the appraisal is January 2, 2018. The property was inspected on December 27, 2017. It is assumed that the property was in the same condition on the effective date as the date of inspection.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Certain of the proceeds from the CFD Bonds will be used to reimburse for infrastructure improvements. The market value estimated herein is based on the hypothetical condition the portion of public infrastructure improvements and impact fees financed by proceeds from the CFD Bonds are in place and have been paid as of the date of value. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the CFD Bonds.

General Information

Identification of Subject

Community Facilities District No. 16 (The Islands at Parkshore) includes multiple parcels located within the Parkshore Master Plan in the City of Folsom. The CFD includes Improvement Areas No. 1 and 2 which are separated by Parkshore Drive. The subject properties are only properties within Improvement Area No. 1, which is located along the south side of Parkshore Drive. The subject comprises the properties within the boundaries of Improvement Area No. 1 of the CFD, which are subject to the lien of the Special Tax securing the CFD Bonds and not exempt (taxable parcels), and have not yet been sold to homeowners and reassessed.

Property Identification

Property Name	Properties within City of Folsom Community Facilities District No. 16 (The Islands at Parkshore), Improvement Area No. 1
Address	South side of Parkshore Drive, east of Folsom Boulevard Folsom, California 95630
Tax ID	See Addendum
Owner of Record	Woodside 05N Limited Partnership and individual homeowners

We have been requested to provide a market value of the appraised properties by ownership and Assessor's parcel, as well as an aggregate, or cumulative value of the properties, as of the date of value. As of the date of inspection, 57 of the planned 147 single-family homes within Improvement Area No. 1 have been completed but are not currently assessed for an improvement value by the Sacramento County Assessor; as such, a not-less-than estimate of market value based on the smallest floor plan constructed within both of the product lines developed by the homebuilder was appraised and assigned to each respective Assessor's parcel with a completed home within the subject.

The subject development is a small-lot project and includes two-story, detached, single-family homes that share a common private lane or paseo. Homes of this type are typically referred to as Green Court, Paseo, or Cluster styled homes since the homes front either a common paseo or a private lane.

Sale History

The 147 lots within Improvement Area No. 1 were purchased by Woodside 05N Limited Partnership from Lewis Land Developers, LLC, closing in two transactions on May 1, 2014 and February 2, 2015 for \$16,170,000, or \$110,000 per lot. At the time of sale, the lots were tentatively mapped and undeveloped. Although the transaction is somewhat dated and no longer reflects the condition of the lots it provides an indicator of the lot's value as of the sale date and will be further analyzed within the sales comparison approach.

To the best of our knowledge, no other sale or transfer of ownership has occurred in bulk within the past three years and the property is not subject to an agreement of sale or an option to buy, nor is it

listed for sale, as of the effective appraisal date. Individual homes at the subject project are actively being marketed.

Purpose of the Appraisal

The purpose of the appraisal is to provide a market value of the fee simple interest in the appraised properties by ownership and Assessor's parcel, as well as an aggregate, or cumulative value of the properties, subject to the Lien of the Special Tax associated with the subject CFD Bonds (*fee simple estate*), as of the date of value. The appraised properties comprise the remaining residential lots within Improvement Area No. 1 of the CFD, *not* improved with a single-family residence. In addition, those residential lots with completed single-family homes without an assessed value for vertical improvements were included in the scope of this appraisal assignment. A not-less-than estimate of market value based on the smallest floor plan constructed within both of the product lines developed by the homebuilder was appraised and assigned to each respective Assessor's parcel with a completed home within the subject.

The effective date of the appraisal is January 2, 2018 and the date of the report is January 19, 2018.

Definition of Market Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Aggregate Value

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 the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions

(Source: The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 6.)

Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The client and intended user of this appraisal report is the City of Folsom and the associated Finance Team. The appraisal report is intended for use in bond underwriting, and will be included in the official statement used to market the bonds.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004).

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

In this appraisal we determined the highest and best use of the appraised properties as though vacant based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). As will be shown in the Highest and Best Use Analysis section, the highest and best use of the appraised properties as vacant is for near term single-family residential development. We also determined the highest and best use of the appraised properties as improved.

Valuation Methodology

We have been requested to provide estimates of market value of the appraised properties by ownership and Assessor's parcel, as well as an aggregate, or cumulative value of the properties. The sales comparison approach to value and extraction technique was used to determine the market value of the finished lots. The sales comparison approach was used again to determine the market value of the completed homes without assessed values for structural improvements (based upon the smallest floor plan within both products).

The cumulative, or aggregate, value of the appraised properties represents the sum of the value estimates concluded for each ownership interest, which is not equivalent to the market value of the CFD Improvement Area No. 1 as a whole. It should also be noted there are 57 completed homes owned by individuals that do not have assessed improvement value. For the purposes of this analysis, this group of homes will be considered as a single component (in aggregate).

Due to the fact the subject comprises portion of a residential subdivision, a typical cost approach is not included in the valuation, however an extraction analysis is utilized. In addition, the income approach is not utilized as the income potential of the subdivision would not yield a credible indicator of its value.

Research and Analysis

Several legal and physical aspects of the appraised 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. Documentation identifying the subject parcels by Assessor's parcel number (APN) was provided by NBS for use in the appraisal. Additional information regarding the property was provide by Mr. Phil Rodriguez of Lewis Management Corp, a representative of the master developer and Brian Cutting of Woodside Homes of Northern California. Zoning and entitlement information, earthquake zones, flood zones, utilities and tax information were obtained from the respective agencies.

Data relating to the subjects' 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.

Inspection

Noah Kauffman and Kevin Ziegenmeyer, MAI, conducted an on-site inspection of the property on December 27, 2017.

Economic Analysis

Sacramento County

Introduction

The Sacramento MSA is the largest metropolitan area in the Central Valley and the fourth-largest in the state of California. The region includes four counties – Sacramento, Placer, El Dorado and Yolo – and spans from the Sacramento River Delta in the west to the Sierra Nevada mountain range in the east. The region's largest city, Sacramento, is the State Capital and the seat of government for Sacramento County. Sacramento is located approximately 385 miles north of Los Angeles, 500 miles south of Oregon, 85 miles northeast of San Francisco, 105 miles west of South Lake Tahoe, and 135 miles southwest of Reno, Nevada. The region has relatively stable seismic conditions, especially compared to the San Francisco Bay Area and Southern California. Sacramento and adjoining cities rank among the lowest in the state for the probability of a major earthquake.

Population

The region has a population of over 2.3 million, and has grown at a moderate rate of 1.1% per year for the past five years. The following table illustrates recent population trends for each county in the region over the past few years.

Population Trends							
County	2012	2013	2014	2015	2016	2017	%/Yr
Sacramento	1,440,456	1,452,994	1,466,309	1,482,542	1,496,619	1,514,770	1.0%
Placer	358,152	362,551	367,442	370,710	376,203	382,837	1.4%
El Dorado	180,952	180,720	181,977	183,100	184,371	185,062	0.5%
Yolo	<u>204,578</u>	<u>207,329</u>	<u>208,957</u>	<u>211,126</u>	<u>215,522</u>	<u>218,896</u>	<u>1.4%</u>
Total	2,184,138	2,203,594	2,224,685	2,247,478	2,272,715	2,301,565	1.1%

Source: California Department of Finance

Placer and Yolo Counties have led the region with growth of 1.4% per year over the past five years. Most of this growth has occurred in the cities of Roseville, Rocklin, Lincoln and West Sacramento. Much of the region's growth is attributed to in-migration of residents from other locations.

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

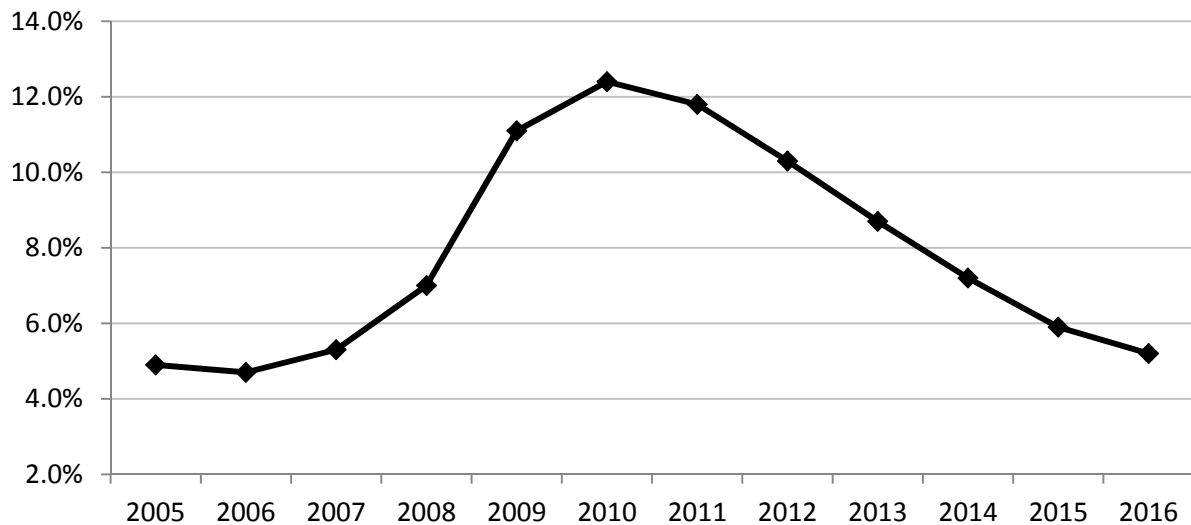
Historically, the Sacramento region has been one of the more stable employment centers in California, with a significant number of jobs in State government. The California Employment Development Department has reported the following employment data for the Sacramento MSA over the past few years.

Employment Trends						
	2011	2012	2013	2014	2015	2016
Labor Force	1,045,200	1,049,500	1,049,100	1,050,800	1,060,200	1,073,300
Employment	921,600	941,300	958,200	976,100	998,100	1,017,300
Job Growth	1,500	19,700	16,900	17,900	22,000	19,200
Unemployment Rate	11.8%	10.3%	8.7%	7.1%	5.9%	5.2%

Source: California Employment Development Department

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 2011-2016.

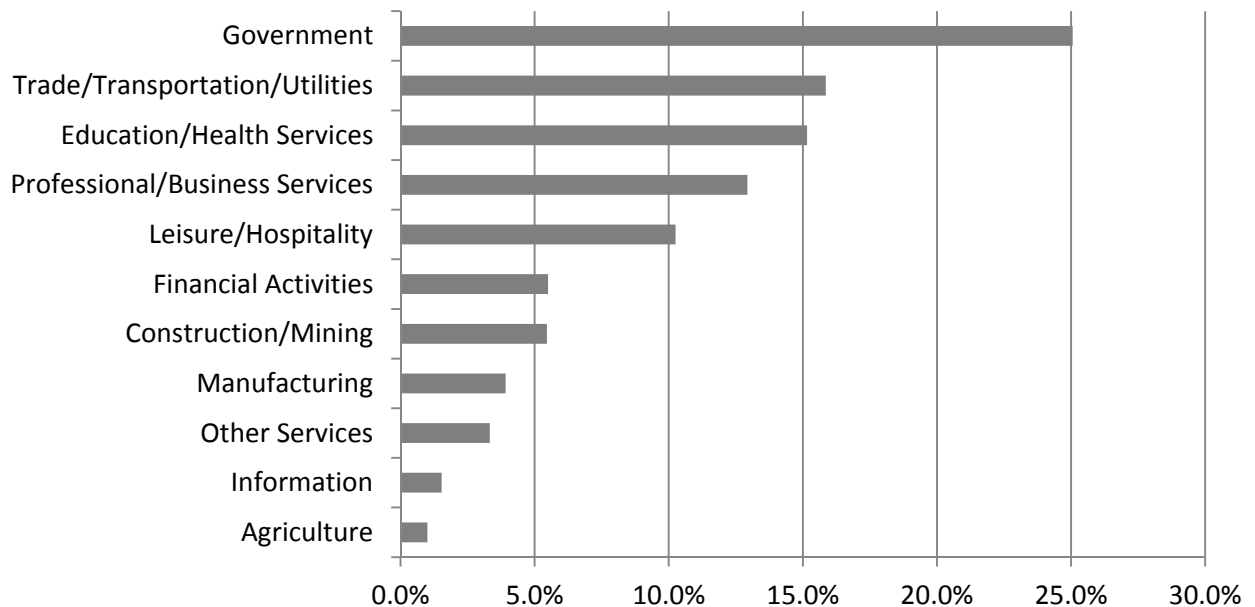
UNEMPLOYMENT RATE - SACRAMENTO MSA



Source: California Employment Development Department

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 2016. 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.

EMPLOYMENT BY SECTOR - SACRAMENTO MSA

Source: California Employment Development Department

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 largest employers are listed in the following table (based on the number of employees in the four-county region).

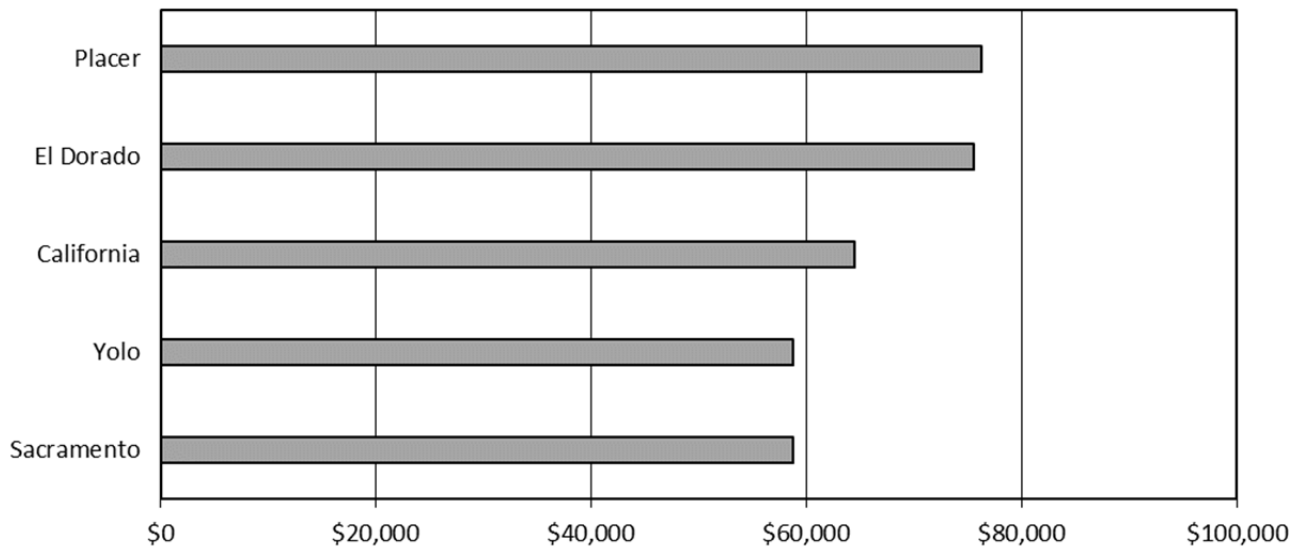
Largest Employers

	Company	Industry	Employees
1	State of California	Government	78,045
2	Sutter Health	Healthcare	15,014
3	Kaiser Permanente	Healthcare	14,368
4	U.S. Government	Government	13,791
5	Sacramento County	Government	11,950
6	UC Davis Health System	Healthcare	10,145
7	University of California Davis	University	9,599
8	Dignity Health (formerly Mercy)	Healthcare	7,853
9	Intel Corp.	Semiconductors	6,000
10	Elk Grove Unified School District	Education	5,863
11	Raley's Inc.	Retail Grocery	5,597
12	City of Sacramento	Government	4,300

Source: Sacramento Business Journal, Book of Lists 2016

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.



Source: U.S. Census Bureau

As indicated in the chart, 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.

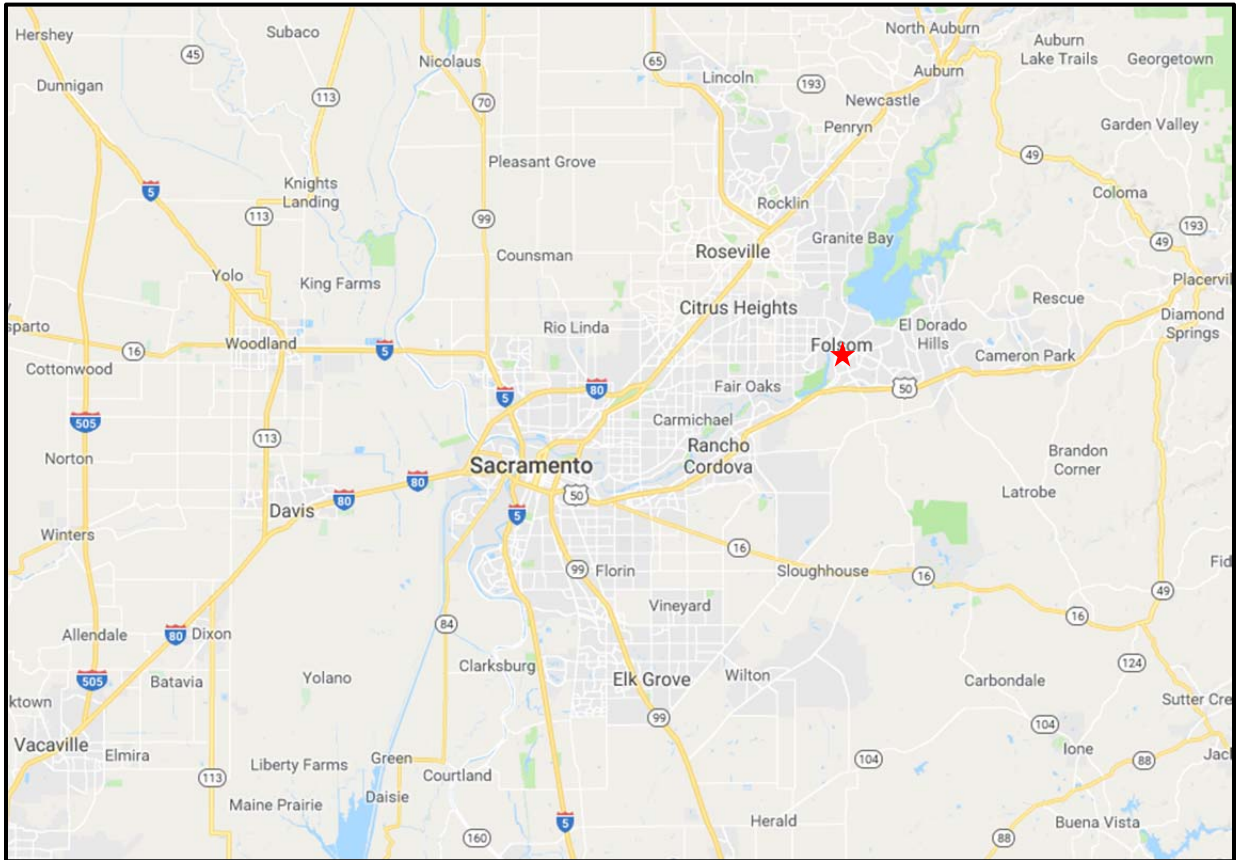
In terms of higher education, the region's largest universities are the University of California Davis and Sacramento State University. Six community colleges are located in the region, including Sierra College, American River, Cosumnes River, Folsom Lake, Sacramento City and Woodland Community College. 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 1.1% per year over the past five years. 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 compared to the Bay Area and Southern California. Employment conditions have been improving since 2011 and most real estate sectors are showing signs of expansion. As the economy continues to improve, the long-term outlook for the region is good.

Area Map



Neighborhood Analysis

Boundaries

The subject is located in the western part of the city of Folsom. Neighborhood is generally bounded on the north and east by E. Bidwell Street, the American River to the east, and Highway 50 to the south.

A map identifying the location of the property follows this section.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics				
2017 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	Neighborhood
Population 2010	9,717	74,589	149,158	23,325
Population 2017	10,650	79,638	159,734	26,302
Population 2022	11,355	83,474	167,752	28,378
Compound % Change 2010-2017	1.3%	0.9%	1.0%	1.7%
Compound % Change 2017-2022	1.3%	0.9%	1.0%	1.5%
Households 2010	3,719	26,917	55,168	8,870
Households 2017	4,034	28,752	58,821	9,830
Households 2022	4,294	30,267	61,819	10,563
Compound % Change 2010-2017	1.2%	0.9%	0.9%	1.5%
Compound % Change 2017-2022	1.3%	1.0%	1.0%	1.4%
Median Household Income 2017	\$104,776	\$89,213	\$91,247	\$107,381
Average Household Size	2.6	2.5	2.6	2.7
College Graduate %	50%	39%	41%	53%
Median Age	38	40	41	38
Owner Occupied %	71%	64%	71%	66%
Renter Occupied %	29%	36%	29%	34%
Median Owner Occupied Housing Value	\$405,012	\$418,916	\$436,943	\$423,709
Median Year Structure Built	1995	1989	1988	1997

Source: Environics Analytics

The subject's neighborhood has a generally similar, though slightly higher, income level as the surrounding area. The neighborhood's population is estimated to continue growing over the next five years.

Transportation

The main surface streets in the neighborhood that provide access to subject are Folsom Boulevard and Blue Ravine Road. To the south of the subject, Folsom Boulevard connects with Highway 50, providing access to Sacramento to the west and continues to the east through foothill communities to Lake Tahoe and states to the East of California. Blue Ravine Road is an east-west surface street that spans the neighborhood and continues eastward through the city.

Other primary connectors in the neighborhood are E. Bidwell Street and Highway 50 itself. Approximately 10 miles west of the subject Highway 50 provides access to Highway 99 and Interstates 5 and 80. Interstate 80 is a primary east-west corridor for the Sacramento Metropolitan Area that intersects the area with the San Francisco Bay Area to the west and Reno, Nevada to the east. Highway 99 and Interstate 5 are two of the main north-south transportation routes through the state.

The City of Folsom provides public transportation (bus services) for the area and light rail services are provided by Sacramento Regional Transit.

Land Use

The neighborhood comprises typical uses for a city within close proximity to the Sacramento metropolitan area including suburban residential homes, as well as office, retail, and light industrial uses. The intel corporate campus is located in the southern portion of the neighborhood with additional smaller office uses east of the subject.

Retail development in the area can be found primarily along E. Bidwell Street and Blue Ravine Road. At the corner of E. Bidwell Street and Blue Ravie Road is a large retail center anchored by Trader Joes, Target, Walmart, and Kohl's. Additional retail service, and restaurant businesses make this one of the largest retail centers within the city. The Broadstone Plaza is located to the southeast along E. Bidwell Street and includes a Home Depot, Whole Foods Market, and additional retail and restaurant locations. In addition, the Folsom Premium Outlets are located at the southwest corner of the neighborhood.

Subject's Immediate Surroundings

North	Residential subdivision (under development)
South	Commercial development
East	Creek and light industrial development
West	Creek and office development

The following Google map/satellite image shows existing land uses around the subject property.



Community Uses

Major community uses include John Kemp Community Park, Livermore Community Park, Lembi Park, and Natoma Station Neighborhood Park. The Willow Creek Recreation Area and Jedediah Smith Memorial Trail are located along the American River at the western edge of the neighborhood. Other community land uses include Natoma Station Elementary School, Sandra J. Gallardo Elementary School, Gold Ridge Elementary, and Folsom High School. Additional community uses such as medical and religious service providers are located within close proximity.

Folsom is also served by community facilities, including a city zoo, 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.

Outlook and Conclusions

In conclusion, the subject is located in a suburban area that should continue to experience adequate demand. Overall the neighborhood offers a balanced mix of land uses appropriate for the development. The area has good access to neighborhood thoroughfares. Households in the area have above-average income levels and the community appeal is good. The characteristics of the neighborhood relative to other parts of the Sacramento region are desirable.

This map shows the city of Folsom, California, and its surrounding areas. Key features include:

- Water Bodies:** Lake Natoma, Mississippi Bar, Alder Creek, and the American River.
- Recreation Areas:** Folsom Lake State Recreation Area and Villa Lago at The Promontory.
- Education:** Folsom Lake College.
- Landmarks:** Will Robins Golf, Negro Bar Picnic Area, and Orangevale.
- Streets:** Major roads like E Natoma St, Blue Ravine Rd, and Folsom Blvd are shown. Other streets include Pershing Ave, Madison Ave, Sunset Ave, and Iron Point Rd.
- Location Marker:** A red star is placed near the intersection of Blue Ravine Rd and Folsom Blvd, indicating a specific point of interest.

Residential Market Analysis

In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

Submarket Overview

The subject is located in the City of Folsom which is considered a desirable area within Sacramento County. Folsom is adjacent to the community of El Dorado Hills in El Dorado County which shares the characteristics of a desirable area with community name recognition. According to market participants the homes within the Parkshore community and similar small lot projects in the area offer an entry point for a move-up buyer within the desirable Folsom market as well as retirees seeking to downsize and remain within the area.

In this analysis of the housing market, we will analyze market trends within Sacramento and El Dorado Counties and focus on new home projects similar to the subject.

Single-Family Building Permits

Single-family building permits for the city of Folsom as well as Sacramento County and El Dorado County are shown in the following table.

Building Permits			
Year	City of Folsom	Sacramento County	El Dorado County
2007	176	3,410	604
2008	125	1,952	283
2009	93	928	139
2010	48	824	118
2011	59	737	141
2012	165	1,231	182
2013	337	1,962	206
2014	300	1,680	162
2015	246	2,261	584
2016	152	2,681	770
2017 (Jan - Nov)	129	2,861	761

Future Development

Infrastructure work has begun for Folsom Ranch, located southeast of the subject within the Folsom Plan Area south of Highway 50, which could eventually include about 9,000 and 11,000 residential units. The New Home Company is planning about 800 homes and is expected to be among the first builders to break ground in the area. Taylor Morrison and Cal Atlantic Homes are also planning to build homes within the Plan Area.

New Home Pricing and Sales

The Gregory Group surveys active new home projects in California and Nevada. On the following page we present a table containing indicators for active single-family residential projects in Sacramento and

El Dorado Counties for the past three years. The data include both attached and detached projects, but the vast majority of units are detached homes.

New Home Sales History

Time Period	Average price	% Change Average Price	Average Home Size (SF)	Average Price/Avg SF	% Change Price/SF	Quarter Sold	Number of Projects	Sold Per Proj. Per Month
2Q 2014	\$430,699	--	2,394	\$179.91	--	431	48	3.0
3Q 2014	\$424,744	-1.4%	2,411	\$176.17	-2.1%	299	53	1.9
4Q 2014	\$437,010	2.9%	2,476	\$176.50	0.2%	345	52	2.2
1Q 2015	\$452,056	3.4%	2,528	\$178.82	1.3%	556	62	3.0
2Q 2015	\$448,337	-0.8%	2,481	\$180.71	1.1%	571	69	2.8
3Q 2015	\$455,473	1.6%	2,520	\$180.74	0.0%	394	64	2.1
4Q 2015	\$459,089	0.8%	2,474	\$185.57	2.7%	623	81	2.6
1Q 2016	\$462,639	0.8%	2,448	\$188.99	1.8%	764	85	3.0
2Q 2016	\$466,440	0.8%	2,451	\$190.31	0.7%	684	81	2.8
3Q 2016	\$485,537	4.1%	2,443	\$198.75	4.4%	741	89	2.8
4Q 2016	\$482,987	-0.5%	2,415	\$199.99	0.6%	697	91	2.6
1Q 2017	\$491,016	1.7%	2,398	\$204.76	2.4%	859	94	3.0
2Q 2017	\$486,727	-0.9%	2,340	\$208.00	1.6%	1080	94	3.8
3Q 2017	\$478,394	-1.7%	2,309	\$207.19	-0.4%	590	89	2.2

In terms of the number of home sales in Sacramento and El Dorado Counties, over the last 12 months, the average was 2.9 sales per month per project, which was up slightly from the average for the prior 12-month period of 2.8 sales per month per project.

Active New Home Projects Pricing and Absorption

Although there are numerous new home projects within the Sacramento region few offer entry level price points within the desirable Folsom or El Dorado Hills communities. There are six active projects in this market area offering a price point close to or below \$500,000. These projects are considered to be most competitive with the subject property given their locations and lot sizes. These projects are summarized in the following tables, based on data from the Third Quarter of 2017 (most recent available).

Active Projects

Project	Community	Developer	Average Price	Avg. Home Size (SF)	Average Price/SF	Typical Lot Size	Units Planned	Units Offered	Units Sold	Units Unsold
Veranda at Empire Ranch	Folsom	Elliott Homes	\$415,700	1,770	\$234.86	2,500	63	59	58	1
Granite Trails at Parkshore	Folsom	Woodside Homes	\$452,990	1,802	\$251.38	2,479	74	65	55	10
Granite Reserve at Parkshore	Folsom	Woodside Homes	\$489,323	2,138	\$228.87	2,479	74	53	44	9
Palisades	El Dorado Hills	Lennar Homes	\$469,240	2,097	\$223.77	3,078	131	94	85	9
Chaparral	El Dorado Hills	The New Home Company	\$477,400	2,203	\$216.70	N/Av.	72	50	46	4
Villagio	El Dorado Hills	CalAtlantic Homes	\$509,250	2,467	\$206.42	3,400	127	121	115	6
		Minimum	\$415,700	1,770	\$206.42	2,479				
		Maximum	\$509,250	2,467	\$251.38	3,400				
		Average	\$468,984	2,080	\$227.00	2,787				

Absorption												
Project	Community	Builder	Avg. Home Price (3Q 17 Only)	Avg. Home Size (3Q 17 Only)	Lot Size (SF)	3Q 2017	2Q 2017	1Q 2017	4Q 2016	12-Month Total	Average Per Quarter	Average Per Month
Veranda at Empire Ranch	Folsom	Elliott Homes	\$415,700	1,770	2,500	3	19	19	17	58	14.5	4.8
Granite Trails at Parkshore	Folsom	Woodside Homes	\$452,990	1,802	2,479	4	15	10	1	30	7.5	2.5
Granite Reserve at Parkshore	Folsom	Woodside Homes	\$489,323	2,138	2,479	6	8	5	4	23	5.8	1.9
Palisades	El Dorado Hills	Lennar Homes	\$469,240	2,097	3,078	2	9	5	16	32	8.0	2.7
Chaparral	El Dorado Hills	The New Home Company	\$477,400	2,203	N/A	6	40	31	20	97	24.3	8.1
Villagio	El Dorado Hills	CalAtlantic Homes	\$509,250	2,467	3,400	7	8	8	8	31	7.8	2.6
Total						28	99	78	66			
No. of Active Projects						6	6	6	6			
Quarterly Pro-Rata						4.7	16.5	13.0	11.0			
Monthly Pro-Rata						1.6	5.5	4.3	3.7			
									3.8	Average Monthly Pro-Rata		

Two of these new home projects (Veranda at Empire Ranch and Villagio are approaching sell out). Of the 147 lots within the Parkshore community new home projects (Granite Trails and Granite Reserve) 95 homes have sold and closed escrow with additional homes sold but not yet closed. According to a representative of the current owner only 37 lots remain unsold, assuming homes currently in escrow close. This appraisal however considers unclosed homes as owned by the home builder as of the date of value. In the last 4 quarters the Granite Trails project averaged 2.5 sales per month, while Granite Reserve averaged 1.9 sales per month. Thus, we have estimated a projected absorption close to 2.0 sales per month per project.

There is typically a relationship between home prices and absorption rates within new home projects as less expensive homes are typically associated with a higher absorption rate. Although the absorption within the Parkshore projects has been lower than the other project located within Folsom, Veranda at Empire Ranch, the Parkshore projects have been able to achieve a higher sales price than the Veranda project.

These two projects are further detailed in the following tables.

PROJECT INFORMATION				AT A GLANCE								
Project Name		Granite Trails at Parkshore		Average Price		\$452,990		Qtr Sold		4		
Region		Sacramento		Average Sq Ft		1,802		Qtr WSR		0.31		
County		Sacramento		Total Inventory		19		Tot WSR		0.48		
Community		Folsom		Standing Inventory		0		Avg Incentives		\$4,000		
Master Plan		No		Open Date		07/19/15		Survey Date		10/1/17		
Age Restricted		No		Developer Name		Woodside Homes		Special Tax per Month		\$204.00		
Project Phone		(916) 936-4424		Developer Phone		(916) 608-9600		HOA per Month		\$147.00		
Sales Office Hours		Daily 10 - 6		Product Type		Detached		Broker Coop		2.5%		
GPS Coordinates		N : 0.000000 W : 0.000000		Type Description		Small Lot, Detached		Special Incentives		\$10,000		
Cross Street				Lot Size		2,479		Project Density		10.9		
Finished Lots		N/A		Lot Dimension		37 x 67		Model/Trailer		Model		
Blue Top Lots				Blue Top Lots		N/A						
PLAN DETAILS												
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room	
1,616		\$431,990	\$267.32	\$4,000	\$427,990	\$264.85	3	2.5	2	2	None	
1,717		\$443,990	\$258.58	\$4,000	\$439,990	\$256.26	3	2.5	2	2	Loft	
2,074		\$482,990	\$232.88	\$4,000	\$478,990	\$230.95	3	2.5	2	2	Den	
SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 3/17	74	65	55	4	19	9	10	35	0.48	0.31	\$452,990	3.11
Qtr 2/17	74	59	51	15	23	15	8	35	0.50	1.15	\$439,323	0.00
Qtr 1/17	73	41	36	10	37	32	5	35	0.41	0.77	\$439,323	0.00
Qtr 4/16	73	32	26	1	47	41	6	25	0.34	0.08	\$439,323	1.15
Qtr 3/16	73	30	25	5	48	43	5	10	0.40	0.38	\$434,323	2.36
Qtr 2/16	73	23	20	7	53	50	3	15	0.41	0.54	\$424,323	1.19
Qtr 1/16	73	16	13	5	60	57	3	20	0.36	0.38	\$419,323	0.00
Qtr 4/15	73	10	8	2	65	63	2	10	0.35	0.15	\$419,323	1.21
Qtr 3/15	73	10	6	6	67	63	4	25	0.60	0.46	\$414,323	1.22
Qtr 2/15	73	0	0	0	73	73	0	25	0.00	0.00	\$409,323	0.00
Qtr 1/15	73	0	0	0	73	73	0	25	0.00	0.00	\$409,323	0.00

PROJECT INFORMATION				AT A GLANCE								
Project Name	Granite Reserve at Parkshore			Average Price	\$489,323	Qtr Sold	6					
Region	Sacramento			Average Sq Ft	2,138	Qtr WSR	0.46					
County	Sacramento			Total Inventory	30	Tot WSR	0.38					
Community	Folsom			Standing Inventory	2	Avg Incentives	\$4,000					
Master Plan	No			Open Date	07/19/15	Survey Date	10/1/17					
Age Restricted	No			Developer Name	Woodside Homes	Special Tax per Month	\$223.00					
Project Phone	(916) 936-4424			Developer Phone	(916) 608-9600	HOA per Month	\$147.00					
Sales Office Hours	Daily 10 - 6			Product Type	Detached	Broker Coop	2.5%					
				Type Description	Small Lot, Detached	Special Incentives	\$10,000					
GPS Coordinates	N : 0.000000 W : 0.000000			Lot Size	2,479	Project Density	10.9					
Cross Street				Lot Dimension	37 x 67	Model/Trailer	Model					
Finished Lots	N/A			Blue Top Lots	N/A							
PLAN DETAILS												
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room	
	2,011	\$475,990	\$236.69	\$4,000	\$471,990	\$234.70	3	2.5	2	2	Den, Loft	
	2,105	\$485,990	\$230.87	\$4,000	\$481,990	\$228.97	3	3	2	2	None	
	2,298	\$505,990	\$220.19	\$4,000	\$501,990	\$218.45	4	3	2	2	Loft	
SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 3/17	74	53	44	6	30	21	9	35	0.38	0.46	\$489,323	0.62
Qtr 2/17	73	44	38	8	35	29	6	35	0.38	0.62	\$486,323	2.10
Qtr 1/17	74	34	30	5	44	40	4	35	0.34	0.38	\$476,323	0.85
Qtr 4/16	74	30	25	4	49	44	5	25	0.33	0.31	\$472,323	0.00
Qtr 3/16	74	22	21	6	53	52	1	10	0.34	0.46	\$472,323	0.85
Qtr 2/16	74	19	15	5	59	55	4	15	0.31	0.38	\$468,323	2.48
Qtr 1/16	74	13	10	3	64	61	3	25	0.28	0.23	\$456,990	- 0.07
Qtr 4/15	74	13	7	4	67	61	6	10	0.30	0.31	\$457,323	1.11
Qtr 3/15	74	6	3	3	71	68	3	25	0.30	0.23	\$452,323	1.12
Qtr 2/15	74	0	0	0	74	74	0	25	0.00	0.00	\$447,323	0.00
Qtr 1/15	74	0	0	0	74	74	0	25	0.00	0.00	\$447,323	0.00

Resale Pricing

The following table shows recent resale data for more recently built homes (2008 and newer) in Folsom and El Dorado Hills. We restricted our search to lot sizes with less than 5,000 square feet.

Resales										
Address	Community	Sale Date	Living Area (SF)	Sale Price	Last List Price	Price /SF	Sale/List	Year Built	Days on Market	Lot Size
6011 Terra Lane	El Dorado Hills	Pending	2,198	NA	\$489,000	\$222.47	NA	2016	127	3,006
7532 Pesaro Dr	El Dorado Hills	Pending	2,494	NA	\$559,000	\$224.14	NA	2016	31	3,572
725 Loomis Cir	Folsom	Pending	1,489	NA	\$410,000	\$275.35	NA	2009	2	2,557
209 Colner Cir	Folsom	12/29/2017	2,011	\$480,573	\$483,523	\$239	99.39%	2017	159	2,377
949 Bracken Ct	El Dorado Hills	12/28/2017	1,994	\$480,000	\$480,530	\$241	99.89%	2017	106	3,006
162 Barnhill Dr	Folsom	12/28/2017	1,856	\$463,125	\$479,000	\$250	96.69%	2011	48	3,341
1419 Bicker Cir	Folsom	12/20/2017	1,888	\$492,500	\$495,000	\$261	99.49%	2014	56	3,528
900 Bullion Ln	Folsom	12/15/2017	1,930	\$468,000	\$474,900	\$242	98.55%	2013	38	2,884
201 Colner Cir	Folsom	12/12/2017	2,298	\$509,000	\$512,021	\$221	99.41%	2017	135	2,413
890 Willow Bridge Dr	Folsom	12/5/2017	2,079	\$505,000	\$499,900	\$243	101.02%	2014	11	3,637
941 Bracken Ct	El Dorado Hills	11/30/2017	2,422	\$528,539	\$496,873	\$218	106.37%	2017	6	3,150
937 Bracken Ct	El Dorado Hills	11/27/2017	2,060	\$490,881	\$473,560	\$238	103.66%	2017	67	3,136
902 Willow Bridge Dr	Folsom	11/27/2017	1,893	\$473,000	\$474,500	\$250	99.68%	2014	26	3,938
1523 Guzzetti Way	Folsom	11/27/2017	1,675	\$432,000	\$425,000	\$258	101.65%	2008	3	2,526
212 Colner Cir	Folsom	11/15/2017	2,011	\$498,073	\$485,973	\$248	102.49%	2017	17	2,587
1472 Leonard Ct	Folsom	11/7/2017	1,888	\$499,000	\$499,000	\$264	100.00%	2014	12	3,594
1503 Guzzetti Way	Folsom	11/6/2017	1,963	\$460,000	\$445,000	\$234	103.37%	2008	29	3,572
928 Willow Bridge Dr	Folsom	11/1/2017	2,329	\$517,000	\$524,500	\$222	98.57%	2014	8	3,123
1565 Bonanza Ln	Folsom	10/31/2017	1,874	\$475,000	\$475,000	\$253	100.00%	2013	83	3,746
1393 Folsom Meadows Cir	Folsom	10/31/2017	2,061	\$508,000	\$515,000	\$246	98.64%	2014	35	3,511
7257 Santorini Way	El Dorado Hills	10/31/2017	2,465	\$545,000	\$550,000	\$221	99.09%	2014	8	4,095
1543 Bonanza Ln	Folsom	10/24/2017	1,874	\$465,900	\$465,900	\$249	100.00%	2013	82	2,888
963 willow bridge Dr	Folsom	10/16/2017	1,893	\$480,000	\$490,000	\$254	97.96%	2014	40	3,764
7251 Santorini Way	El Dorado Hills	10/12/2017	2,683	\$570,000	\$579,900	\$212	98.29%	2014	112	4,138
203 Colner Cir	Folsom	10/12/2017	2,105	\$503,100	\$495,739	\$239	101.48%	2017	71	2,139
1563 Ballou Cir	Folsom	10/10/2017	1,963	\$490,000	\$499,000	\$250	98.20%	2008	7	2,831
1704 Parkway	Folsom	9/28/2017	1,957	\$480,000	\$489,970	\$245	97.97%	2008	5	3,459
898 Blossom Rock Ln	Folsom	9/28/2017	2,079	\$500,000	\$495,000	\$241	101.01%	2013	10	3,825
1477 Durfee Ct	Folsom	9/19/2017	2,203	\$520,000	\$514,900	\$236	100.99%	2014	6	4,264
238 Barnhill Dr	Folsom	9/1/2017	1,633	\$445,000	\$449,900	\$273	98.91%	2012	9	2,683
Total Sales		31	2,042	\$491,803	\$490,920	\$242	100.10%	2014	45	3,243
			(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)

Conclusions

We have summarized some of the key points from this section as follows:

- New home pricing has generally been increasing over the last four years, albeit with a few quarterly dips. Although third quarter sales figures were below the prior quarter market participants noted continued demand for new homes.
- New home pricing per square foot of living area has been trending upward over the last three to four years.
- Of the six projects most representative of the subject two of them are approaching sell out.
- Absorption rates within the Granite Trails project averaged 2.5 sales per month, while Granite Reserve averaged 1.9 sales per month in the 3rd quarter of 2017.
- Re-sale homes in the area are transferring near the asking price, and the exposure period has averaged about 45 days, both indicators of a healthy market.

- Overall, demand for new homes in the subject's market area remains strong. The housing market is considered to be in a stage of expansion.

Property Analysis

Land Description and Analysis

Location

The subject comprises the properties within the boundaries of the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore), Improvement Area No. 1, which are subject to the lien of the Special Tax securing the CFD Bonds and not exempt (taxable parcels), and have not yet been sold to homeowners and reassessed.

Land Area

Improvement Area No. 1 is reportedly comprised of 15.5 acres in total.

Shape and Dimensions

The site is irregular in shape but not atypical for use in subdivision development. Site utility based on shape and dimensions is average.

The typical lot size within the project is 2,500 square feet. The subject development is a small-lot project and includes two-story, detached, single-family homes that share a common private lane or paseo. Homes of this type are typically referred to as Green Court, Paseo, or Cluster styled homes since the homes front either a common paseo or a private lane.

Topography

The site is generally level and at street grade. The topography does not result in any particular development limitations.

Off-site Improvements

Off-site improvements currently consist of concrete curbs and gutters, sidewalks, and streetlights along Parkshore Drive. Private interior streets and common areas are maintained by an HOA.

On-site Improvements

The 147 lots are improved with typical utilities and roadway. Of the 147 proposed homes 95 have been completed and sold to homeowners with an additional ten homes, six of which are models, completed and owned by the home builder. Home construction is under way on a number of the remaining lot.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	060253-0116H
Date	August 16, 2002
Zone	X (Shaded)
Description	Within 500-year floodplain
Insurance Required?	No

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing improvements.

Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage	
Street	Parkshore Drive
Paving	Yes
Curbs	Yes
Sidewalks	Yes
Lanes	2 way, 1 lane each way
Condition	Average
Traffic Levels	Moderate
Signals/Traffic Control	Stop sign
Visibility	Average

Utilities

The availability of utilities to the subject is summarized in the following table.

Utilities

Service	Provider
Water	City of Folsom
Sewer	City of Folsom
Electricity	SunPower (primary) and SMUD (secondary)
Natural Gas	PG&E
Local Phone	AT&T

Zoning

The subject is zoned RM PD, Residential Multi-Family, Planned Development District, by City of Folsom. On December 13, 2011 the city council approved changing the property's General Plan land use from IND (Industrial/Office Park) to MLD (Multi-Family Low Density) and the Specific Plan Land Use from M-1 (Light Industrial District) to RM PD (Residential Multi-Family, Planned Development District).

Zoning Summary

Zoning Jurisdiction	City of Folsom
Zoning Designation	RM PD
Description	Residential Multi-Family, Planned Development District
Legally Conforming?	Yes
Zoning Change Likely?	No
Permitted Uses	Residential development

The current use of the site is a legally conforming use.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required.

Entitlements

A Vesting Tentative Map was approved for the subject in December 2011 followed by a recorded Final Map in May 2015.

Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

Affordable Housing Requirements

According to the owner the property does not have affordable housing obligations.

Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse

impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

Permits and Fees

According to a representative of the homebuilder permits and fees due at building permit are estimated at \$44,000 per lot, which is typical for the area based on the subject's characteristics.

Timeline

According to representatives of the home builder 37 of the planned 147 homes have yet to be sold (not including homes currently in escrow) and they are anticipating sell out for the project in the near term.

Conclusion of Site Analysis

Overall, the physical characteristics of the property show that it is suitable for use as a residential development.

DISCLAIMER: POSTAGE STAMPS ARE NOT FOR THE ACQUISITION OF LAND OR OTHER RIGHTS AND DO NOT PROVIDE EVIDENCE OF TITLE OR A VALID BUILDING PERMIT. ANY LIABILITY OF SURVEYOR ASSUMES NO RESPONSIBILITY BEING GIVEN BY THIS INFORMATION.

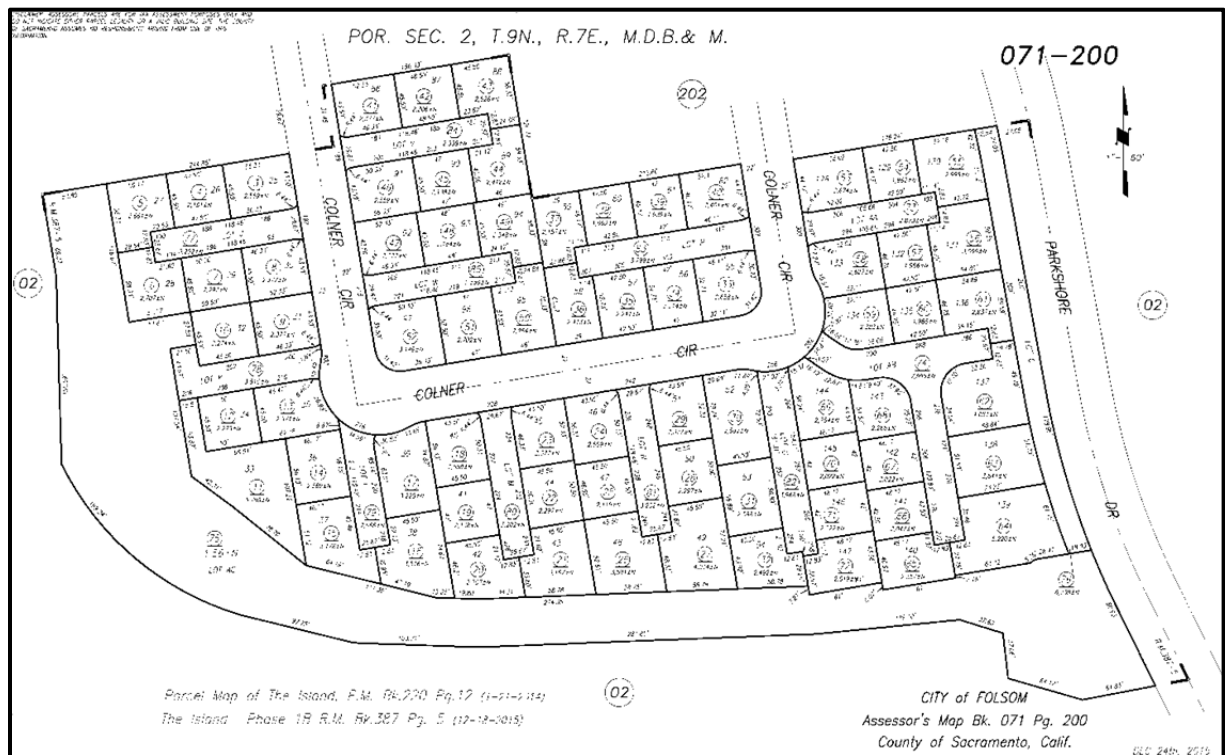
POR. SEC. 2, T.9N., R.7E., M.D.B.& M.

071-202

1" = 60'

CITY OF FOLSOM
Assessor's Map Bk. 071 Pg. 202
County of Sacramento, Calif.
MAR. 15th, 2017

The Island - Phase 1A, R.M. Bk.385 Pg.3 (5-4-2015)



Site Plan



Proposed Improvements Description

Overview

The subject lots are marketed with six separate floor plans across two product lines. We have been asked to provide a value for the smallest floor plan within both products, which are summarized in the following table.

Floor Plan Summary					
Floor Plan	Living Area (SF)	Room Count		Stories	Garage
		Bedroom	Bathroom		
Marron	1,616	3	2.5	Two	2 Car
Arandis	2,011	3	2.5	Two	2 Car

It is noted that the subject property has a Homeowner's Association (HOA) that will be responsible for the in-tract road improvement maintenance, common areas, and pool. HOA dues are reportedly \$147 per home per month.

For the reader's reference, the subject's floor plans are shown on the following pages.

Floor Plans

Granite Trails – Marron Plan



Granite Reserve – Arandis Plan







Real Estate 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 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 direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

Real estate taxes and assessments for the current tax year are shown in the following table.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the remaining property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised properties. According to the Sacramento County Treasurer-Tax Collector's Office, the subject parcels have an annual tax rate of 1.0459% based on assessed value.

Special Taxes and Assessments City of Folsom CFD No. 16 (The Islands at Parkshore)

As referenced, the appraised properties are located within the boundaries of the City of Folsom CFD No. 16 (The Islands at Parkshore) IA1. The Maximum Special Tax (Facilities) associated with Improvement Area No. 1 (base year) is summarized in the following table. The Special Tax is subject to 2% annual escalation.

City of Folsom CFD No. 16 (The Islands at Parkshore), Improvement Area 1			
Product	Plan	No. of Lots	Facilities - Base Yr.
A	1	18	\$1,829
	2	25	\$1,893
	3	29	\$2,124
B	1	19	\$2,124
	2	26	\$2,124
	<u>3</u>	<u>30</u>	<u>\$2,316</u>
		147	Total

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As If Vacant

Legally Permissible

The site is zoned RM PD, Residential Multi-Family, Planned Development District. The subject's General Plan land use is MLD (Multi-Family Low Density). Permitted uses include residential development. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The subject property is approved for 147 detached homes on individual lots and associated improvements. The subject's present entitlements are the result of significant planning and review, and any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, only residential development is given further consideration in determining highest and best use of the site, as though vacant.

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including residential development.

Financially Feasible

Based on our analysis of the market, there is currently adequate demand for residential development in the subject's area. As shown later in this report by the extraction analysis where home construction costs are deducted from an estimated current home price, the subject's land value is positive, which demonstrates that development of detached residential units is financially feasible. Further, buyers are actively buying homes and builders are buying land, reflecting ample demand. Therefore, residential development is considered to be financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than residential development. Accordingly, it is our opinion that a residential development, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

Conclusion

Development of the site for residential development is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

As Improved

The subject site is improved with 147 lots, many of which have finished homes and homes under construction, which is consistent with the highest and best use of the site as if it were vacant.

A continuation of this use with completion of build out and sell off of the remaining units is concluded to be financially feasible.

Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use and thus the maximally productive use is the current use. Continuation of the existing residential development use is concluded to be the highest and best use of the property as improved.

Most Probable Buyer

Taking into account the size and characteristics of the property the probable buyer of the remaining residential lots and the partially completed homes (in bulk) would be a production homebuilder. The probable buyers of the completed single-family homes would be individual homeowners.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis**, and the **subdivision development method**.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

Market Valuation – Floor Plans

The market values of the subject's floor plans are estimated in this section. The objective of the analyses is to estimate the base price per floor plan, net of incentives, upgrades and lot premiums. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. The base price pertains to the typical lot size within the subject (2,500 square feet). The sales comparison approach to value is employed in order to establish the market values for each floor plan.

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 recent sales data for comparison with the appraised properties. In order to assemble the comparable sales, we searched the Multiple Listing Service and other data sources for leads, then confirmed the data obtained with parties directly related to the transactions.

The sales comparison approach to value is employed in order to establish the market values for both floor plans. The floor plans are summarized in the following table.

Floor Plan Summary					
Floor Plan	Living Area (SF)	Room Count		Stories	Garage
		Bedroom	Bathroom		
Marron	1,616	3	2.5	Two	2 Car
Arandis	2,011	3	2.5	Two	2 Car

We collected and reviewed a number of recent sales of homes within the subject's development as well as nearby locations. The transactions ultimately selected for analysis are all located within the Parkshore community as it was concluded to provide the best indicator for the subject floor plans. The comparable sales are summarized in the following table.

Sales Summary							
No.	Location	Date	Sale Price	Living	Room Count		Lot
				Area (SF)	Bedroom	Bathroom	Size (SF)
1	408 Van Dyke Way	Pending	\$449,362	1,616	3	2.5	2,820
2	210 Colner Circle	Pending	\$483,000	2,011	3	2.5	2,571
3	220 Colner Circle	Pending	\$514,000	2,011	3	2.5	3,225
4	209 Colner Circle	12/29/2017	\$480,573	2,011	3	2.5	2,377
5	294 Colner Circle	12/29/2017	\$436,918	1,616	3	2.5	2,527
6	290 Colner Circle	12/29/2017	\$440,659	1,616	3	2.5	2,383

Discussion of Adjustments

In order to estimate the market values for the subject floor plans, the comparable transactions were adjusted to reflect the subject with regard to categories that affect market value. 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 that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers whether adjustments are necessary pertaining to these items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for each unit follows.

Total Consideration

The appraised properties are analyzed based on the total consideration of home price and the assumption of bonds, if any. Bond debt has a direct impact on the amount for which the end product will sell. In an effort to account for the impact of bond indebtedness on the sales price, we establish a present value amount for the bond encumbrance based on the annual assessment. The present value amount is based on the annual special tax, an applicable interest rate, and the remaining term from the date of sale. All of the comparables are encumbered by bonds; thus, the present value of the bonds is considered in this analysis to determine the total consideration with each sale.

Upgrades and Incentives

The objective of the analysis is to estimate the base value per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. Incentives and upgrades included in the sales have been considered and adjusted for in this analysis.

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 of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No adjustments were required for this factor.

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

The comparables did not involve any non-market or atypical conditions of sale. Adjustments for this factor do not apply.

Market Conditions (Date of Sale, Phase Adjustment)

The 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 neighborhood, 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.

Comparable 3 was negotiated 3 months prior to our date of value, a slight upward adjustment (1.5%) is applied in consideration of changes in market conditions since that time. According to conversations with on-site sales agents, new home pricing has been relatively stable over the period the remaining sales transferred in; therefore, no further adjustment for market conditions is warranted.

Location

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user. The comparables are located within the City of Folsom and no adjustments are warranted for this category.

Community Appeal

In addition to market location adjustments, we consider community appeal adjustments. Even within a specific market location, often specific community characteristics influence sale prices. Often, prices on one street may be significantly higher or lower than the next, despite similar home characteristics. Community characteristics that may influence sale prices include a gated amenity or the condition of surrounding development.

The subject and comparable sales are located within the Parkshore Community which has typical appeal based on lot configuration for a small-lot community.

Lot Size

The lot size adjustment pertains to the differences between the subjects' typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The amount of the adjustment used in the comparison of the base lot sizes comes from a survey of premiums paid for larger lots. Considering the average lot size adjustments factors indicated by the comparable sales utilized in this analysis, a lot size adjustment factor of \$7.00/SF is considered reasonable for the subjects' residential lots. This figure is supported by our observations of sales in the subject's market area.

Lot Premiums

Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Adjustments for lot position premiums would be in addition to lot size adjustments previously considered. The comparable sales have similar lot configurations and no other adjustments are warranted.

Design and Appeal/Quality of Construction

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices. The comparables are similar to the subject in regard to design and appeal.

Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit. In terms of quality of construction, the subject represents good construction quality. All of the comparable sales feature similar construction quality and do not require adjustments.

Age/Condition

All of the sales represent new construction with a similar effective age as the subject and do not require adjustments for age or condition.

Functional Utility

The appraised properties and comparables represent detached residential construction on similar lot size categories as the subject. Adjustments for this factor do not apply.

Room Count

For similar size units the differences between room count is a buyer preference. One buyer might prefer two bedrooms and a den versus a three-bedroom unit. Extra rooms typically result in additional building area and are accounted for in the size adjustment. Therefore, no adjustments are made for number of total rooms or bedrooms. Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. The adjustment is based on an amount of \$5,000 per fixture (or half-bath) and is supported by cost estimates for a good quality home in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Considering the fact that plumbing upgrades for existing bathrooms generally range from \$5,000 to over \$25,000 for the various fixtures, the \$5,000 per fixture, or half-bath, is supported. Consequently, a factor of \$10,000 per full bath is also applied in our analysis.

Unit Size/Living Area

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or two-story designs, number of bathrooms and number of garage spaces were generally similar in these comparisons, in order to avoid other

influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded.

The typical range indicated by the paired units in this analysis generally demonstrated a value range from approximately \$50 to upwards of \$100 per square foot. Considering the information cited above, a factor of \$60 per square foot is concluded to be appropriate and reasonable for the difference in living area between the subject and the comparables, given the quality of the product. However, the comparables selected represent prior sales of the subject floor plans and therefore no adjustments for differences in living area are necessary.

Number of Stories

For similar size units, the differences between the number of stories is a buyer preference. One buyer might prefer a single-story versus a two-story unit. Typically, more stories result in additional building area and are accounted for in the size adjustment. Adjustments for this factor are not warranted.

Parking/Garage

The subject's floor plans and the comparables offer a two-car garage and do not require adjustment for this characteristic.

Additional Characteristics

As the comparables utilized represent prior sales of the subject's floor plans no adjustments are necessary for additional characteristics.

Adjustment Grids

The following pages include grids reflecting the aforementioned adjustments.

Floor Plan 1							
Project Information	Subject Property	Comparable 1	Comparable 5	Comparable 6			
Project Name	Granite Trails	Granite Trails	Granite Trails	Granite Trails			
Plan	Marron	Marron	Marron	Marron			
Address/Lot Number		408 Van Dyke Way	294 Colner Circle	290 Colner Circle			
City/Area	Folsom	Folsom	Folsom	Folsom			
Price	N/Ap	\$449,362	\$436,918	\$440,659			
Price Per SF	N/Ap	\$278.07	\$270.37	\$272.69			
Special Taxes	\$1,902.89	\$1,902.89	\$1,902.89	\$1,902.89			
Adjustment		\$26,193	\$26,193	\$26,193			
Total Consideration		\$475,555	\$463,111	\$466,852			
Total Consideration per SF		\$294.28	\$286.58	\$288.89			
Data Source		Project sales agent	Project sales agent	Project sales agent			
Incentives	N/Ap	Yes (\$4,000)	Yes (\$4,000)	Yes (\$4,000)			
Upgrades	Base	Upgrades (\$14,872)	Upgrades (\$9,928)	Upgrades (\$13,699)			
Effective Base Sales Price		\$456,683	\$449,183	\$449,153			

Adjustments:	Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights	Fee Simple	Similar		Similar		Similar	
Financing Terms	Cash Equivalent	Similar		Similar		Similar	
Conditions of Sale	Market	Market		Market		Market	
Market Conditions							
Date of Sale	MV 1/2/2018	Pending	\$0	12/29/2017	\$0	12/29/2017	\$0
Project Location	Folsom	Folsom		Folsom		Folsom	
Community Appeal	Average	Similar		Similar		Similar	
Lot Size	\$7.00 2,500	2,820	(\$2,240)	2,527	\$0	2,383	\$819
Lot Premium	N/Ap	None		None		None	
Design and Appeal	Average	Similar		Similar		Similar	
Quality of Construction	Good	Similar		Similar		Similar	
Age (Total/Effective)	New	Similar		Similar		Similar	
Condition	Good/New	Similar		Similar		Similar	
Functional Utility	Average	Similar		Similar		Similar	
Room Count							
Bedrooms	3	3		3		3	
Baths	\$10,000 2.5	2.5		2.5		2.5	
Living Area (SF)	\$60.00 1,616	1,616		1,616		1,616	
Number of Stories	Two	Two		Two		Two	
Heating/Cooling	Central/Forced	Similar		Similar		Similar	
Garage	2 Car	2 Car		2 Car		2 Car	
Landscaping	Front	Similar		Similar		Similar	
Pool/Spa	None	Similar		Similar		Similar	
Patios/Decks	Patio	Similar		Similar		Similar	
Fencing	Rear	Similar		Similar		Similar	
Fireplace(s)	None	Similar		Similar		Similar	
Kitchen Equipment	Average	Similar		Similar		Similar	
Other	None	Similar		Similar		Similar	
Gross Adjustments			\$2,240		\$0		\$819.00
Net Adjustments			(\$2,240)		\$0		\$819
Adjusted Retail Value			\$454,443		\$449,183		\$449,972

Concluded Retail Value	\$450,000
Indicated Value Per SF	\$278.47

The comparable sales are recent purchases of homes with the Marron floor plan in Granite Trails. Adjustments were necessary to account for differences between these homes and the subject's floor plan. As adjusted, the comparables indicate a relatively narrow range of \$449,183 to \$454,443. We have concluded a value estimate within this range at \$450,000 for the subject's floor plan (Marron).

Floor Plan 2							
Project Information	Subject Property	Comparable 2		Comparable 3		Comparable 4	
Project Name	Granite Reserve	Granite Reserve		Granite Reserve		Granite Reserve	
Plan	Arandis	Arandis		Arandis		Arandis	
Address/Lot Number		210 Colner Circle		220 Colner Circle		209 Colner Circle	
City/Area	Folsom	Folsom		Folsom		Folsom	
Price	N/Ap		\$483,000		\$514,000		\$480,573
Price Per SF	N/Ap	\$240.18		\$255.59		\$238.97	
Special Taxes	\$2,209.80		\$2,209.80		\$2,209.80		\$2,209.80
Adjustment			\$30,418		\$30,418		\$30,418
Total Consideration			\$513,418		\$544,418		\$510,991
Total Consideration per SF		\$255.30		\$270.72		\$254.10	
Data Source		Project sales agent		Project sales agent		Project sales agent	
Incentives	N/Ap	No		Yes	(\$5,000)	Yes	(\$9,565)
Upgrades	Base	Upgrades	(\$15,000)	Upgrades	(\$42,230)	Upgrades	(\$27,600)
Effective Base Sales Price			\$498,418		\$497,188		\$473,826
Adjustments:	Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights	Fee Simple	Similar		Similar		Similar	
Financing Terms	Cash Equivalent	Similar		Similar		Similar	
Conditions of Sale	Market	Market		Market		Market	
Market Conditions							
Date of Sale	MV 1/2/2018	Pending	\$0	Pending	\$7,458	12/29/2017	\$0
Project Location	Folsom	Folsom		Folsom		Folsom	
Community Appeal	Average	Similar		Similar		Similar	
Lot Size	\$7.00 2,500	2,571	(\$497)	3,225	(\$5,075)	2,377	\$861
Lot Premium	N/Ap	None		None		None	
Design and Appeal	Average	Similar		Similar		Similar	
Quality of Construction	Good	Similar		Similar		Similar	
Age (Total/Effective)	New	Similar		Similar		Similar	
Condition	Good/New	Similar		Similar		Similar	
Functional Utility	Average	Similar		Similar		Similar	
Room Count							
Bedrooms	3	3		3		3	
Baths	\$10,000 2.5	2.5		2.5		2.5	
Living Area (SF)	\$60.00 2,011	2,011		2,011		2,011	
Number of Stories	Two	Two		Two		Two	
Heating/Cooling	Central/Forced	Similar		Similar		Similar	
Garage	2 Car	2 Car		2 Car		2 Car	
Landscaping	Front	Similar		Similar		Similar	
Pool/Spa	None	Similar		Similar		Similar	
Patios/Decks	Patio	Similar		Similar		Similar	
Fencing	Rear	Similar		Similar		Similar	
Fireplace(s)	None	Similar		Similar		Similar	
Kitchen Equipment	Average	Similar		Similar		Similar	
Other	None	Similar		Similar		Similar	
Gross Adjustments			\$497		\$12,533		\$861
Net Adjustments			(\$497)		\$2,383		\$861
Adjusted Retail Value			\$497,921		\$499,570		\$474,687
Concluded Retail Value	\$495,000						
Indicated Value Per SF	\$246.15						

As adjusted, the comparables provide a range of indicators of \$474,687 to \$499,570. The project has consistently been able to achieve a price point at the upper end of similar projects within Folsom. We have concluded a value estimate towards the upper end of the range of indicators at \$495,000 for the subject's floor plan (Arandis).

Conclusion of Home Values

Based on the analysis herein, the market value conclusions for the floor plans are summarized in the following table.

Floor Plan Conclusion				
Floor Plan	Living Area (SF)	Room Count		Retail Floor Plan Value
		Bedroom	Bathroom	
Marron	1,616	3	2.5	\$450,000
Arandis	2,011	3	2.5	\$495,000

Lot Valuation

In this section of the report, we will utilize the sales comparison approach to estimate the market value of the subject's remaining lots. Of the 147 lots planned for the community 42 lots remain with the home builder. This value estimate assumes the subject property would sell on a bulk, or wholesale, basis. That is, it would transfer in one transaction to a single buyer. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties.

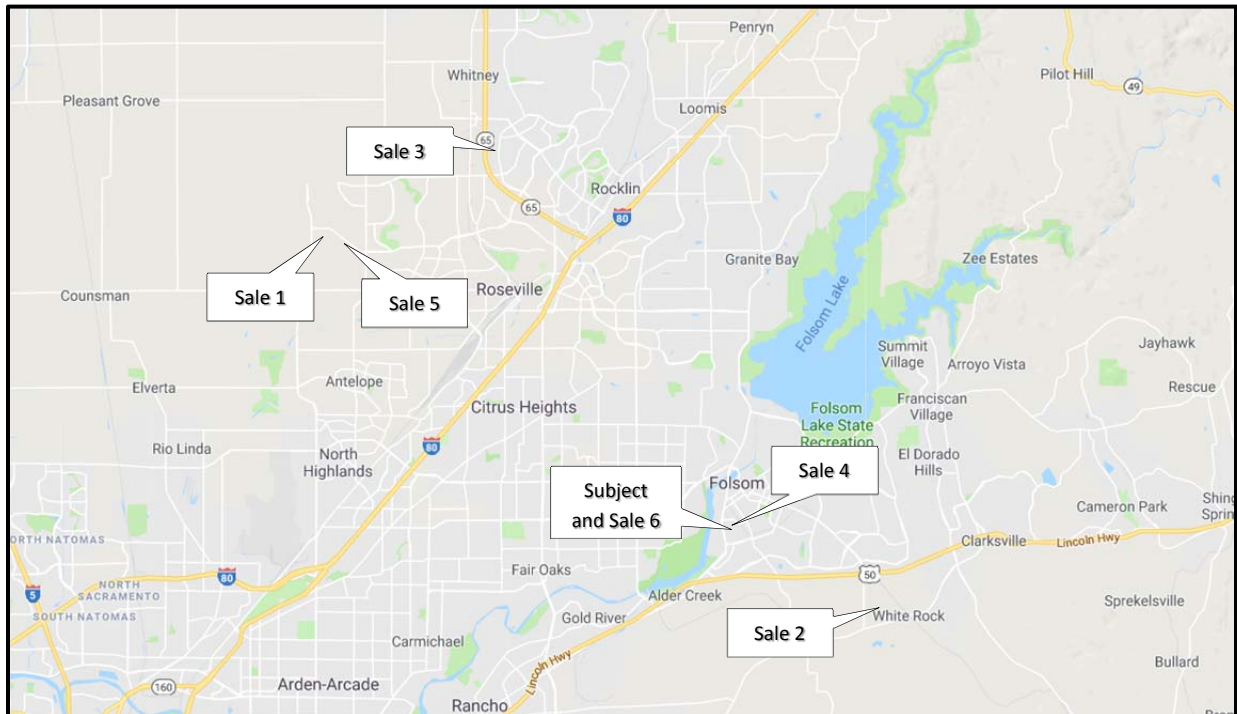
The proper application of this approach requires obtaining recent sales data for comparison with the subject property. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

The sales are analyzed on a loaded lot basis. Loaded lot is the equivalent of underlying land, any remaining site development costs and all fees paid through the building permit for home construction. Due to the subject's unique characteristics as a small-lot subdivision within the city of Folsom, considered to be a desirable location, we were challenged to locate applicable sales. The most relevant sales are summarized in the following table:

Summary of Comparable Land Sales

No.	Name/Location	Sale Date, Status	Effective Sale Price	Per Lot	No. of Lots	Typical Lot Size	Lot Dev. Status
1	Solaire - 100 Lots E/O Westbrook Blvd, S/O Pleasant Grove Blvd Roseville Placer County Tax ID: N/Av. Grantor: Westpark Communities Grantee: N/Av. <i>Comments: This sale of 100 unimproved lots in Solaire are comprised of 58 lots with a typical size of 4,500 square feet and 42 lots with a typical size of 5,500 square feet for a weighted average of 4,920 square feet. Annual assessments are \$1,622. The lots are located within the Roseville School District. Permits are estimated at \$71,221 and remaining development cost is estimated at \$41,591 per lot (wgt. avg.).</i>	Dec-17 In-Contract	\$6,466,410 Site Development Costs Permits and Fees	\$64,664 \$41,591 \$71,221	100	4,920	Unimproved
2	Folsom Ranch - 206 Lots North of White Rock Road, east of Scott Road Folsom Sacramento County Tax ID: 072-3370-001 & -002 Grantor: Folsom Real Estate South, LLC Grantee: Taylor Morrison <i>Comments: This transaction is the pending sale of Villages 1 and 2 within the Folsom Ranch project. Village 1 is planned for 108 lots of 4,725 square feet and Village 2 is planned for 98 lots of 5,250 square feet. The weighted average lot size is 4,975 square feet. The land will transfer as finished lots in April 2018. Anticipated permits and fees are \$49,500.</i>	May-17 In-Contract	\$29,149,000 Site Development Costs Permits and Fees	\$141,500 \$0 \$49,500	206	4,975	Finished
3	Wildcat Whitney Ranch West line of Wildcat Blvd, S/O Whitney Ranch Pkwy Rocklin Placer County Tax ID: 017-171-016, -017, -032, -034 and -036 Grantor: Wildcat Whitney Ranch 100 LLC Grantee: Meritage Homes <i>Comments: This comparable is located in the Whitney Ranch master planned community in Rocklin. It consists of 122 lots ranging in size from 2,722 square feet to 5,855 square feet with a typical size of 3,229 square feet. As part of the purchase, the grantee is responsible for fees due at recordation of the Final Map (\$16,485.50/lot).</i>	May-17 Closed	\$12,200,000 Site Development Costs Permits and Fees	\$100,000 \$16,486 \$64,646	122	3,259	Unimproved
4	The Islands at Parkshore Phase 2 North side of Parkshore Drive, east of Folsom Boulevard Folsom Sacramento County Tax ID: 071-2010-002 & -003 Grantor: Lewis Land Developers, LLC Grantee: Presidio Blackpine Parkshore 126, LLC <i>Comments: This is the sale of 126 unimproved lots along Parkshore Drive in Folsom. The project plans for two-story homes with floor plans ranging from 1,492 to 2,455 square feet. Site development costs are estimated at \$35,000 per lot and Permits and Fees at \$45,000 per lot.</i>	Jan-17 Closed	\$12,250,000 Site Development Costs Permits and Fees	\$97,222 \$35,000 \$45,000	126	3,500	Unimproved
5	Westpark (MDR Site WB-24) South side of Pleasant Grove Boulevard, West of Fiddymont Road Roseville Placer County Tax ID: 017-152-045 (portion) Grantor: Westpark Communities Grantee: Woodside Homes <i>Comments: This is the sale of a 53-lot subdivision in West Roseville. The property is zoned RS/DS - small lot residential. Anticipated lot development costs are \$35,000 per lot and permits and fees are \$60,000 per lot. Annual special assessments per lot are \$968. We were not able to locate the sale in public records due to changes in parcel numbers but the transaction was confirmed with a reliable source.</i>	May-16 Closed	\$2,120,000 Site Development Costs Permits and Fees	\$40,000 \$35,000 \$60,000	53	3,825	Unimproved
6	Parkshore Phase 1 South side of Parkshore Drive, east of Folsom Folsom Sacramento County Tax ID: 071-0020-084 Grantor: Lewis Land Developers, LLC Grantee: Woodside 05N LP <i>Comments: This is the sale of the 147 lot, tentatively mapped, Parkshore Phase 1 subdivision, which comprises Improvement Area 1 of the CFD. A degree of buyer motivation was concluded related to the sale as a party to the transaction noted that the buyer's offer was aggressive and believed to be slightly above the market value at the time. Site development costs were anticipated to be \$35,000 per lot and permits fees of \$40,000 per lot.</i>	May-14 Closed	\$16,170,000 Site Development Costs Permits and Fees	\$110,000 \$35,000 \$40,000	147	2,500	Unimproved

Comparable Land Sales Map



Loaded Lot Analysis

Since each comparable has the same highest and best use as the subject property—near term single-family residential development—we apply adjustments for remaining site development costs (if any) and permits and fees on a dollar-for-dollar basis. That is, the comparables are analyzed on a loaded-lot-basis, where any remaining site development costs and permits and fees due at building permit as well as the estimated bond obligation amount are added to the lot price to yield a price that reflects the total consideration. After all other adjustments are applied (market conditions, physical characteristics, etc.), we deduct the subject’s remaining permits and fees to determine the subject’s finished lot value as of the date of value.

Adjustment Factors

The comparable transactions are adjusted based on the profile of the subject properties with regard to categories that affect market value. For certain adjustments such as site development cost, permits and fees and special taxes, adjustments are made using actual or estimated (present value) dollar amounts while other adjustments may be categorized as either superior or inferior, with adjustments applied qualitatively. 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.

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the following sequence.

Adjustment Factors	
Expenditures After Sale	Accounts for atypical economics of a transaction, such as demolition cost, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.
Financing Terms	Seller financing or other financing, at non-market terms.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location/Community Appeal	Adjustments are applied where necessary to account for differences in market or submarket area influences on sale price; surrounding land use influences and desirability of communities.
Number of Lots	Generally, there is an inverse relationship between the number of lots and price per lot such that substantially smaller transactions may achieve a higher price per lot while larger transactions may achieve a lower price per lot.
Lot Size	The subject lots (42 remaining of 147 improved lots) have an average lot size of 2,731 square feet which will be used as the typical lot size for the subject lots. Adjustments for differences in lot size between the comparables and subject are applied based on a lot size adjustment factor.
Topography/Site Utility	Differences in contour, drainage, soil conditions, as well as project design, can affect the utility and, therefore, the market value of the properties.
Zoning and Entitlements	The specific level of governmental approvals attained pertaining to development of a site.
Other – Lot Condition	Builders are willing to pay more for finished lots than for the combined sum of unimproved lots and site development costs due to the time, risk, carrying cost and profit associated with completing site development.

When considering market conditions, we note that the sales took place from May 2014 to December 2017, though the bulk of the transactions occurred within 2017. Sales 5 and 6 transferred prior to 2017 and have been adjusted slightly upward to account for improved market conditions since these dates of sale. The remaining sales do not require adjustment for market conditions.

Analysis and Adjustment of Sales

Our analysis of the comparable sales is described in the following paragraphs.

Bulk Lot Sale 1 is the pending sale of 100 lots located in West Roseville. The sale requires an upward adjustment for inferior location and unimproved lot condition. The sale is adjusted downward for a larger typical lot size.

Bulk Lot Sale 2 is also a pending sale and is adjusted upward for number of lots and downward for a larger lot typical lot size.

Bulk Lot Sale 3 is the sale of 122 lots located in Rocklin. The sale is adjusted upward for inferior location and lot condition and downward for a slightly larger typical lot size.

Bulk Lot Sale 4 is located just north of the subject across Parkshore Drive and requires adjustment for a slightly larger typical lot size and unimproved lot condition.

Bulk Lot Sale 5 is the recent sale of 53 lots in West Roseville. The sale requires an upward adjustment for inferior location and unimproved lot condition. The sale is adjusted downward for a larger typical lot size.

Bulk Lot Sale 6 is the sale of the 147 lots within the subject's CFD Improvement Area No. 1. The sale price was believed to be influenced by buyer motivation at the time of sale and is adjusted downward. The sale is also adjusted for lot condition.

The following table summarizes the adjustments we make to the comparable sales.

Land Sales Adjustment Grid

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Name	The Islands at Parkshore (portion)	Solaire - 100 Lots	Folsom Ranch - 206 Lots	Wildcat Whitney Ranch	The Islands at Parkshore Phase 2	Westpark (MDR Site WB-24)	Parkshore Phase 1
City	Folsom	Roseville	Folsom	Rocklin	Folsom	Roseville	Folsom
Sale Date		Dec-17	May-17	May-17	Jan-17	May-16	May-14
Sale Status		In-Contract	In-Contract	Closed	Closed	Closed	Closed
Sale Price		\$6,466,410	\$29,149,000	\$12,200,000	\$12,250,000	\$2,120,000	\$16,170,000
Number of Lots		100	206	122	126	53	147
Price per Lot		\$64,664	\$141,500	\$100,000	\$97,222	\$40,000	\$110,000
Remaining Site Development Cost		\$41,591	\$0	\$16,486	\$35,000	\$35,000	\$35,000
Permits and Fees		<u>\$71,221</u>	<u>\$49,500</u>	<u>\$64,646</u>	<u>\$45,000</u>	<u>\$60,000</u>	<u>\$40,000</u>
Loaded Lot Price Before Bonds		\$177,476	\$191,000	\$181,132	\$177,222	\$135,000	\$185,000
Special Taxes (annual)		\$1,622	\$2,500	\$1,536	\$1,829	\$968	\$1,829
PV of Bond Encumbrance		<u>\$22,327</u>	<u>\$34,412</u>	<u>\$21,143</u>	<u>\$25,176</u>	<u>\$11,388</u>	<u>\$25,176</u>
Loaded Lot Price After Bonds		\$199,803	\$225,412	\$202,275	\$202,398	\$146,388	\$210,176
Expenditures After Sale		None	None	None	None	None	None
Adjustment							
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment							
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
Adjustment							
Conditions of Sale		Market	Market	Market	Market	Market	Buyer Motivation
Adjustment							Downward
Market Conditions	1/2/2018	Dec-17	May-17	May-17	Jan-17	May-16	May-14
Adjustment						Sl. Upward	Sl. Upward
Cumulative Adjusted Price		\$199,803	\$225,412	\$202,275	\$202,398	\$146,388	\$210,176
Location		W. Roseville	Folsom	Rocklin	Folsom	W. Roseville	Folsom
Adjustment		Upward		Upward		Upward	
Number of Lots	42	100	206	122	126	53	147
Adjustment			Upward				
Lot Size (Typical)	2,731	4,920	4,975	3,259	3,500	3,825	2,500
Adjustment		Downward	Downward	Sl. Downward	Sl. Downward	Sl. Downward	
Topography/Site Utility	Average	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment							
Zoning/Entitlements	Approved	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment							
Other - Lot Condition	Finished	Unimproved	Finished	Unimproved	Unimproved	Unimproved	Unimproved
Adjustment		Upward		Upward	Upward	Upward	Upward
Overall Adjustment		Upward	Downward	Upward	Similar	Upward	Similar
Indicated Value		\$203,000					

Land Value Conclusion

The market data set consists of various sales that are considered reasonable indicators of market value for the fee simple interest in the subject property. After accounting for remaining site development costs, permits and fees and present value of bond encumbrance, the data set reflects an unadjusted (loaded lot price) range of \$146,388 to 225,412. Overall, the sales are deemed reliable and applicable to produce a credible estimate of market value for the property. The adjusted range of the data set indicates a market value estimate close to the indicators provided by Sales 4 and 6. The following table arrays the indicators from the Sales Comparison Approach along with the subject.

Sales Ranking		
Comparable	Ranking	Per Lot Indicator
2	Superior	< \$225,412
6	Similar	≈ \$210,176
Subject Property		
4	Similar	≈ \$202,398
3	Inferior	> \$202,275
1	Inferior	> \$199,803
5	Inferior	> \$146,388

Sale 1 is the most recent transaction. Sale 2 is a recent transaction located within the City of Folsom, and has a larger typical lot size than the subject's. Sale 3 is a recent transaction within Rocklin with a more similar typical lot size to the subject. Sale 4 is the sale of Phase 2 of the Parkshore community located across Parkshore Drive from the subject. It is considered to be the most relevant transaction due to its similarity to the subject and recent sale date and warrants emphasis in the conclusion. Sale 5 is the sale of a small-lot subdivision in West Roseville. Sale 6 is the sale of the 147 lots within Improvement Area No. 1 of the CFD. The transaction is somewhat dated and the sale included a degree of buyer motivation. For these reasons guarded reliance is placed on this sale in the conclusion. With primary reliance placed on sale 4 and in consideration of the balance of the data set and the subject's characteristics a loaded lot indicator of \$203,000 per lot is concluded for the subject property.

As previously discussed the fees due at building permit are estimated to be \$44,000 per lot. After deducting the permits and fees from the concluded loaded lot value our conclusion of improved lot value for the subject is as follows:

Loaded Lot:	\$203,000
Permits and Fees:	<u>-\$44,000</u>
Improved Lot Value:	\$159,000

Extraction Analysis

As support for the estimate of improved lot value concluded in the sales comparison approach we utilize an extraction (residual) analysis that takes into account home prices, direct and indirect construction costs, accrued depreciation and developer's incentive in order to arrive at an estimate of finished lot value. The elements of the extraction technique are discussed below.

Revenue

The subject lots (42 improved lots) have a typical lot size of 2,731 square feet. Based on the Residential Market section of this report and considering current asking prices, we estimate a typical average-sized home on the subject would contain approximately 2,050 square feet and would have a corresponding base price of \$495,000, (total consideration). These estimates will be utilized in the extraction analysis.

Expense Projections

As part of an ongoing effort to assemble market information, the table below reflects survey responses and developer budget information for numerous single-family residential subdivisions throughout the Northern California region.

Expenses												
Municipality	Budget Date	No. of Unit	Quality	Avg. Home Size (SF)	Avg. Lot Siz	Site Costs/Lot	Permits & Fees/Unit	Direct Costs/SF	Indirect % of Direct Costs	G & A % of Revenue	Mkt & Sales % of Revenue	Profit % of Revenue
Chico, CA	2017	155	Average	1,949	6,453	N/Av	\$21,552	\$77.92	9%	N/Av	4.00%	18.80%
City of Sacramento	2017	44	Average	2,171	5,450	\$68,524	\$33,323	\$84.85	6%	5.00%	5.00%	N/Av
City of Chico	2017	46	Average	1,874	4,500	\$51,807	\$23,332	\$90.33	14%	N/Av	N/Av	N/Av
Mountain House	2017	94	Average	2,188	2,975	N/Av	\$35,000	\$80.54	11%	5.00%	6.20%	10.10%
City of West Sacramento	2017	38	Average	2,078	6,775	N/Av	\$46,822	\$62.70	N/Av	N/Av	N/Av	N/Av
City of Sacramento	2016	116	Entry	1,519	2,041	N/Av	\$35,000	\$75.91	18%	N/Av	N/Av	N/Av
City of Lodi	2016	42	Good	2,152	5,554	\$46,977	\$29,290	\$78.26	29%	N/Av	1.30%	11.10%
City of Oakley	2016	61	Average	2,305	6,000	\$41,392	\$53,000	\$74.80	4%	N/Av	3.00%	14.60%
City of Sacramento	2016	35	Average	1,946	3,825	\$40,505	\$43,284	\$70.73	18%	3.00%	3.50%	9.70%
City of Patterson	2015	74	Entry	2,188	7,150	\$42,039	\$39,501	\$66.67	8%	3.50%	4.00%	12.20%
City of Sacramento	2015	29	Average	2,273	5,325	N/Av	\$52,550	\$73.98	29%	2.50%	4.40%	15.60%
City of Davis	2015	35	Average	1,829	2,000	\$101,608	\$61,770	\$92.28	N/Av	1.00%	3.00%	N/Av
City of Roseville	2015	32	Good	2,234	6,709	\$55,945	\$47,844	\$75.95	14%	5.00%	4.00%	11.60%
City of West Sacramento	2015	31	Average/Good	2,450	5,000	\$40,793	\$35,346	\$64.97	6%	N/Av	4.20%	8.40%
City of Sacramento	2015	25	Entry	1,546	3,292	N/Av	\$17,080	\$77.28	N/Av	N/Av	N/Av	N/Av
City of Sacramento	2015	91	Entry	1,868	4,604	N/Av	\$23,000	\$83.37	8%	2.00%	4.30%	9.10%
			Max	2,450	7,150	\$101,608	\$61,770	\$92.28	29%	5.00%	6.20%	18.80%
			Min	1,519	2,000	\$40,505	\$17,080	\$62.70	4%	1.00%	1.30%	8.40%
			Average	2,036	4,853	\$54,399	\$37,356	\$76.91	13%	3.38%	3.91%	12.12%

Information from the survey above along with responses from the homebuilder will contribute to the estimate of development expenses classified as follows.

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 6.0%, or 3.0% for marketing and 3.0% for sales, is estimated in the marketing and sales expense category.

Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

A representative of the home builder noted that direct costs are averaging approximately \$73 per square foot. This figure falls within the range of comparables and considering the product lines at the subject, a direct cost estimate of \$73 per square foot is considered reasonable and applied to the 2,050-square foot home.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 15% is considered reasonable for the subject.

Permits and Fees

As noted, permits and fees due at building permit are projected to total \$44,000 per lot.

Accrued Depreciation

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

Developer's Incentive

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. This is consistent with our survey presented earlier in this section, which ranged from 8.4% to 18.8%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Desirable location within the city of Folsom
- Recent price increases and steady yearly absorption

There are generally few "negative" attributes associated with the subject property, other than the potential for deterioration in market conditions in the residential sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.). The prior table at the beginning of the Expense Projections discussion includes survey results for profit expectations of active home builders in the region.

Based on the preceding discussion and developer surveys, we have concluded an estimate of 14% for developer's incentive.

Conclusion

Our estimates of finished lot value for the subject's lots via the extraction analysis is presented as follows:

Extraction

Revenue

Average Floor Plan Size	2,050	SF	
Typical Home Price			\$495,000

Expense Projections

G & A Cost @	3.00%	of Retail Value	\$14,850
Marketing/Sales @	6.00%	of Retail Value	\$29,700
Average Direct Costs @	\$73.00	/SF	\$149,650
Indirect Cost @	15.00%	of Direct Cost	\$22,448
Permits and Fees Due at BP	\$44,000	Per Lot	\$44,000
Developer's Incentive	14%	of home price	\$69,300
			<u>\$329,948</u>

Residual Lot Value: \$165,053

Reconciliation of Lot Value

For the subject's typical lot, the sales comparison approach indicated \$159,000 per improved/finished lot, while the extraction technique yielded an indicator of \$165,053 per lot, a difference of less than 4%. In our opinion the extraction analysis is primarily a supportive indicator for the results of the sales comparison approach. We will rely on the indication of the sales comparison approach and conclude **\$159,000 per lot** for the subject's remaining lots.

Based upon the preceding analysis the concluded value for the subject property's lots is:

Land Value Conclusion

Indicated Value per Lot	\$159,000
Subject Lots	<u>42</u>
Indicated Value	\$6,678,000
Rounded	\$6,680,000

Reconciliation and Conclusion of Value

Reconciliation involves the weighting of alternative value indications, based on the judged reliability and applicability of each approach to value, to arrive at a final value conclusion. Reconciliation is required because different value indications result from the use of multiple approaches and within the application of a single approach.

Sales Comparison Approach

The sales comparison approach is most reliable in an active market when an adequate quantity and quality of comparable sales data are available. In addition, it is typically the most relevant method for properties similar to the subject, because it directly considers the prices of alternative properties with similar utility for which potential buyers would be competing.

There is a reasonably active market for comparable properties, and this approach most closely reflects buyer behavior. Accordingly, the sales comparison approach is given greatest weight in the value conclusion.

Extraction Analysis

An extraction is typically utilized as a test of reasonableness. The analysis included estimates based upon market data but is typically given less reliance in a final conclusion than a sales comparison approach and is therefore considered a supporting indicator.

Final Opinion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of values is shown on the following page.

The purpose of the appraisal is to provide a market value of the fee simple interest in the appraised properties by ownership and Assessor's parcel, as well as an aggregate, or cumulative value of the properties, subject to the Lien of the Special Tax associated with the subject CFD Bonds (*fee simple estate*), as of January 2, 2018. The appraised properties comprise the remaining residential lots within the boundaries of the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore), Improvement Area No. 1 *not* improved with a single-family residence. In addition, those residential lots with completed single-family homes without an assessed value for vertical improvements were included in the scope of this appraisal assignment.

Value Conclusion

Property Owner	Lot Description	No. of Lots	Concluded Lot Value (Rd.)	Extension (Rd.)
Woodside 05N Limited Partnership	<u>Completed/Appraised Homes</u>			
	Marron	5	\$450,000	\$2,250,000
	Arandis	<u>5</u>	\$495,000	\$2,475,000
	Subtotal	10		\$4,725,000
	<u>Single-Family Lots (Bulk Value)</u>			
		<u>42</u>	Bulk Value	\$6,680,000
	Subtotal	52		<u>\$11,405,000</u>
Woodside 05N Limited Partnership			Not less than	\$11,405,000
Individual Homeowners	<u>Completed/Appraised Homes</u>			
	Marron	26	\$450,000	\$11,700,000
	Arandis	<u>21</u>	\$495,000	\$10,395,000
	Subtotal	47		<u>\$22,095,000</u>
Individual Homeowners			Not less than	\$22,095,000
TOTAL AGGREGATE VALUE OF APPRAISED PROPERTIES WITHIN IA1 OF THE DISTRICT			Not less than	\$33,500,000
Aggregate Retail Value of Existing Homes (Based on Assessed Value)		48		\$21,721,715
TOTAL AGGREGATE VALUE OF APPRAISED & ASSESSED PROPERTIES WITHIN IA1 OF THE DISTRICT			147	Not less than \$55,221,715

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Permits and fees estimates were provided by a representative of the home builder. It is assumed the cost/fee estimates are accurate and complete. Any deviation of actual costs from the estimates inputted in this appraisal could materially affect the conclusion(s) of value contained herein.
2. The effective date of the appraisal is January 2, 2018. The property was inspected on December 27, 2017. It is assumed that the property was in the same condition on the effective date as the date of inspection.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Certain of the proceeds from the CFD Bonds will be used to reimburse for infrastructure improvements. The market value estimated herein is based on the hypothetical condition the portion of public infrastructure improvements and impact fees financed by proceeds from the CFD Bonds are in place and have been paid as of the date of value. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the CFD Bonds.
-

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local land market, it is our opinion that the probable exposure time for the subject at the concluded market value / values stated previously is 12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Noah Kauffman and Kevin Ziegenmeyer, MAI made a personal inspection of the property that is the subject of this report. Eric Segal, MAI did not inspect the property.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Kevin Ziegenmeyer, MAI and Eric Segal, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



Noah Kauffman
Certified General Real Estate Appraiser
California Certificate # 3004618



Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567



Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report. Integra Realty Resources – Sacramento, authorizes the reproduction of this document to aid in bond underwriting and in the issuance of Bonds.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
 13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Sacramento, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – Sacramento is not a building or environmental inspector. Integra Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – Sacramento, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Permits and fees estimates were provided by a representative of the home builder. It is assumed the cost/fee estimates are accurate and complete. Any deviation of actual costs from the estimates inputted in this appraisal could materially affect the conclusion(s) of value contained herein.
2. The effective date of the appraisal is January 2, 2018. The property was inspected on December 27, 2017. It is assumed that the property was in the same condition on the effective date as the date of inspection.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Certain of the proceeds from the CFD Bonds will be used to reimburse for infrastructure improvements. The market value estimated herein is based on the hypothetical condition the portion of public infrastructure improvements and impact fees financed by proceeds from the CFD Bonds are in place and have been paid as of the date of value. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the CFD Bonds.
-

Addendum A

Appraiser Qualifications

Noah Kauffman

Experience

Mr. Kauffman is a Certified General real estate appraiser with Integra Realty Resources, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. After completing his bachelor's degree at the University of California, Davis, he began his career in real estate appraisal with House Agricultural Consultants on agricultural and rural property appraisals. He subsequently joined the firm in 2014 and has been writing narrative appraisal reports for a variety of commercial and agricultural properties. He is now involved in appraisal assignments covering right-of-way, land, multifamily residential, industrial, office, retail and mixed-use properties. Mr. Kauffman has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Licenses

California, Certified General Real Estate Appraiser, 3004618, Expires June 2019

Education

Academic:

Bachelor of Science in Agricultural Management and Rangeland Resources, University of California, Davis

Appraisal and Real Estate Courses:

The Valuation of Partial Acquisitions

Farm and Rural Resources Appraisal

Laws and Regulations for California Appraisers

Uniform Standards of Professional Appraisal Practice

General Appraiser Sales Comparables Approach

General Appraiser Site Valuation and Cost Approach

General Appraiser Market Analysis and Highest and Best Use

General Appraiser Report Writing and Case Studies

General Appraiser Income Capitalization Approach Part I & II

Residential Sales Comparables and Income Approach

Residential Site Valuation and Cost Approach

Residential Market Analysis and Highest and Best Use

Residential Report Writing and Case Studies

Basic Appraisal Principles

Basic Appraisal Procedures

Integra Realty Resources
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San Francisco, CA 94104

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Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Noah J. Kauffman

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: 3004618

Effective Date: June 12, 2017
Date Expires: June 11, 2019

Jim Martin

Jim Martin, Bureau Chief, BREA

3035677

Kevin Ziegenmeyer

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. 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. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2019

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

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

Integra Realty Resources

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T 916-435-3883

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kziegenmeyer@irr.com - 916-837-3113 x



Kevin Ziegenmeyer

Education (Cont'd)

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

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BUREAU OF REAL ESTATE APPRAISERS
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Kevin K. Ziegenmeyer

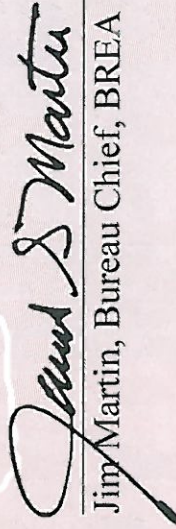
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“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, 2017
Date Expires: June 4, 2019


Jim Martin, Bureau Chief, BREAA

3034684

Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. 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, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

Licenses

California, Certified General, AG026558, Expires February 2019

Nevada, Certified General, A.0207666-CG, Expires January 2019

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

Self-Storage Economics and Appraisal Seminar

Appraisal Litigation Practice and Courtroom Management

Hotel Valuations: New Techniques for today's Uncertain Times

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications

Supervisor-Trainee Course for California

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REAL ESTATE APPRAISER LICENSE

Eric A. Segal

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 026558

Effective Date: February 19, 2017
Date Expires: February 18, 2019


Jim Martin, Bureau Chief, BREA

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

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Addendum B

Definitions

Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
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.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entitlement

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of

development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time 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; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Addendum C

Value by Parcel

Parcel Number	Lot Number	Owner	Address	Product	Floor Plan	Status	Assessed Value	Appraised Value
071-2000-003	25	INDIVIDUAL HOMEOWNER	186 COLNER CIR	Granite Reserve	1	Sold	\$469,000	-
071-2000-004	26	INDIVIDUAL HOMEOWNER	188 COLNER CIR	Granite Reserve	2	Sold	-	\$495,000
071-2000-005	27	INDIVIDUAL HOMEOWNER	190 COLNER CIR	Granite Reserve	3	Sold	\$500,416	-
071-2000-006	28	INDIVIDUAL HOMEOWNER	194 COLNER CIR	Granite Reserve	3	Sold	-	\$495,000
071-2000-007	29	INDIVIDUAL HOMEOWNER	196 COLNER CIR	Granite Reserve	2	Sold	-	\$495,000
071-2000-008	30	INDIVIDUAL HOMEOWNER	198 COLNER CIR	Granite Reserve	1	Sold	-	\$495,000
071-2000-009	31	INDIVIDUAL HOMEOWNER	200 COLNER CIR	Granite Reserve	1	Sold	-	\$495,000
071-2000-010	32	INDIVIDUAL HOMEOWNER	202 COLNER CIR	Granite Reserve	2	Sold	-	\$495,000
071-2000-011	33	INDIVIDUAL HOMEOWNER	206 COLNER CIR	Granite Reserve	2	Sold	-	\$495,000
071-2000-012	34	INDIVIDUAL HOMEOWNER	208 COLNER CIR	Granite Reserve	2	Sold	-	\$495,000
071-2000-013	35	WOODSIDE 05N LIMITED PARTNERSHIP	210 COLNER CIR	Granite Reserve	1	Completed Home	-	\$495,000
071-2000-014	36	INDIVIDUAL HOMEOWNER	212 COLNER CIR	Granite Reserve	1	Sold	-	\$495,000
071-2000-015	37	WOODSIDE 05N LIMITED PARTNERSHIP	214 COLNER CIR	Granite Reserve	2	Home Under Construction	-	\$159,000
071-2000-016	38	WOODSIDE 05N LIMITED PARTNERSHIP	218 COLNER CIR	Granite Reserve	2	Home Under Construction	-	\$159,000
071-2000-017	39	WOODSIDE 05N LIMITED PARTNERSHIP	220 COLNER CIR	Granite Reserve	1	Home Under Construction	-	\$159,000
071-2000-018	40	WOODSIDE 05N LIMITED PARTNERSHIP	222 COLNER CIR	Granite Reserve	1	Home Under Construction	-	\$159,000
071-2000-019	41	WOODSIDE 05N LIMITED PARTNERSHIP	224 COLNER CIR	Granite Reserve	2	Home Under Construction	-	\$159,000
071-2000-020	42	WOODSIDE 05N LIMITED PARTNERSHIP	226 COLNER CIR	Granite Reserve	3	Home Under Construction	-	\$159,000
071-2000-021	43	WOODSIDE 05N LIMITED PARTNERSHIP	230 COLNER CIR	Granite Reserve	3	Home Under Construction	-	\$159,000
071-2000-022	44	WOODSIDE 05N LIMITED PARTNERSHIP	232 COLNER CIR	Granite Reserve	2	Home Under Construction	-	\$159,000
071-2000-023	45	WOODSIDE 05N LIMITED PARTNERSHIP	234 COLNER CIR	Granite Reserve	1	Home Under Construction	-	\$159,000
071-2000-024	46	WOODSIDE 05N LIMITED PARTNERSHIP	236 COLNER CIR	Granite Reserve	1	Home Under Construction	-	\$159,000
071-2000-025	47	WOODSIDE 05N LIMITED PARTNERSHIP	238 COLNER CIR	Granite Reserve	2	Home Under Construction	-	\$159,000
071-2000-026	48	WOODSIDE 05N LIMITED PARTNERSHIP	240 COLNER CIR	Granite Reserve	3	Home Under Construction	-	\$159,000
071-2000-027	49	WOODSIDE 05N LIMITED PARTNERSHIP	244 COLNER CIR	Granite Reserve	3	Finished Lot	-	\$159,000
071-2000-028	50	WOODSIDE 05N LIMITED PARTNERSHIP	246 COLNER CIR	Granite Reserve	2	Finished Lot	-	\$159,000
071-2000-029	51	WOODSIDE 05N LIMITED PARTNERSHIP	248 COLNER CIR	Granite Reserve	1	Finished Lot	-	\$159,000
071-2000-030	52	WOODSIDE 05N LIMITED PARTNERSHIP	250 COLNER CIR	Granite Reserve	1	Finished Lot	-	\$159,000
071-2000-031	53	WOODSIDE 05N LIMITED PARTNERSHIP	252 COLNER CIR	Granite Reserve	2	Finished Lot	-	\$159,000
071-2000-032	54	WOODSIDE 05N LIMITED PARTNERSHIP	254 COLNER CIR	Granite Reserve	3	Finished Lot	-	\$159,000
071-2000-033	55	INDIVIDUAL HOMEOWNER	301 COLNER CIR	Granite Trails	1	Sold	-	\$450,000
071-2000-034	56	INDIVIDUAL HOMEOWNER	303 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2000-035	57	INDIVIDUAL HOMEOWNER	305 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2000-036	58	INDIVIDUAL HOMEOWNER	307 COLNER CIR	Granite Trails	3	Sold	-	\$450,000
071-2000-037	59	INDIVIDUAL HOMEOWNER	311 COLNER CIR	Granite Trails	3	Sold	-	\$450,000
071-2000-038	60	INDIVIDUAL HOMEOWNER	313 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2000-039	61	INDIVIDUAL HOMEOWNER	315 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2000-040	62	INDIVIDUAL HOMEOWNER	317 COLNER CIR	Granite Trails	1	Sold	-	\$450,000
071-2000-041	86	INDIVIDUAL HOMEOWNER	183 COLNER CIR	Granite Reserve	1	Sold	-	\$495,000
071-2000-042	87	INDIVIDUAL HOMEOWNER	185 COLNER CIR	Granite Reserve	2	Sold	-	\$495,000
071-2000-043	88	INDIVIDUAL HOMEOWNER	187 COLNER CIR	Granite Reserve	3	Sold	-	\$495,000
071-2000-044	89	INDIVIDUAL HOMEOWNER	201 COLNER CIR	Granite Reserve	3	Sold	-	\$495,000
071-2000-045	90	INDIVIDUAL HOMEOWNER	203 COLNER CIR	Granite Reserve	2	Sold	-	\$495,000
071-2000-046	91	INDIVIDUAL HOMEOWNER	205 COLNER CIR	Granite Reserve	1	Sold	-	\$495,000
071-2000-047	92	WOODSIDE 05N LIMITED PARTNERSHIP	209 COLNER CIR	Granite Reserve	1	Completed Home	-	\$495,000
071-2000-048	93	INDIVIDUAL HOMEOWNER	211 COLNER CIR	Granite Reserve	2	Sold	-	\$495,000
071-2000-049	94	INDIVIDUAL HOMEOWNER	213 COLNER CIR	Granite Reserve	3	Sold	-	\$495,000
071-2000-050	95	WOODSIDE 05N LIMITED PARTNERSHIP	217 COLNER CIR	Granite Reserve	3	Home Under Construction	-	\$159,000
071-2000-051	96	WOODSIDE 05N LIMITED PARTNERSHIP	219 COLNER CIR	Granite Reserve	2	Home Under Construction	-	\$159,000
071-2000-052	97	WOODSIDE 05N LIMITED PARTNERSHIP	221 COLNER CIR	Granite Reserve	1	Home Under Construction	-	\$159,000
071-2000-053	128	INDIVIDUAL HOMEOWNER	306 COLNER CIR	Granite Trails	1	Sold	\$413,108	-
071-2000-054	129	INDIVIDUAL HOMEOWNER	304 COLNER CIR	Granite Trails	2	Sold	\$447,642	-
071-2000-055	130	INDIVIDUAL HOMEOWNER	302 COLNER CIR	Granite Trails	3	Sold	-	\$450,000
071-2000-056	131	WOODSIDE 05N LIMITED PARTNERSHIP	298 COLNER CIR	Granite Trails	3	Home Under Construction	-	\$159,000
071-2000-057	132	WOODSIDE 05N LIMITED PARTNERSHIP	296 COLNER CIR	Granite Trails	2	Home Under Construction	-	\$159,000
071-2000-058	133	WOODSIDE 05N LIMITED PARTNERSHIP	294 COLNER CIR	Granite Trails	1	Home Under Construction	-	\$159,000
071-2000-059	134	WOODSIDE 05N LIMITED PARTNERSHIP	290 COLNER CIR	Granite Trails	1	Home Under Construction	-	\$159,000
071-2000-060	135	WOODSIDE 05N LIMITED PARTNERSHIP	288 COLNER CIR	Granite Trails	2	Home Under Construction	-	\$159,000
071-2000-061	136	WOODSIDE 05N LIMITED PARTNERSHIP	286 COLNER CIR	Granite Trails	2	Home Under Construction	-	\$159,000
071-2000-062	137	WOODSIDE 05N LIMITED PARTNERSHIP	278 COLNER CIR	Granite Trails	2	Completed Home	-	\$450,000
071-2000-063	138	INDIVIDUAL HOMEOWNER	276 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2000-064	139	INDIVIDUAL HOMEOWNER	274 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2000-065	140	INDIVIDUAL HOMEOWNER	272 COLNER CIR	Granite Trails	3	Sold	-	\$450,000
071-2000-066	141	INDIVIDUAL HOMEOWNER	270 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2000-067	142	WOODSIDE 05N LIMITED PARTNERSHIP	268 COLNER CIR	Granite Trails	2	Completed Home	-	\$450,000
071-2000-068	143	INDIVIDUAL HOMEOWNER	266 COLNER CIR	Granite Trails	1	Sold	-	\$450,000
071-2000-069	144	INDIVIDUAL HOMEOWNER	264 COLNER CIR	Granite Trails	1	Sold	-	\$450,000
071-2000-070	145	INDIVIDUAL HOMEOWNER	262 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2000-071	146	INDIVIDUAL HOMEOWNER	260 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2000-072	147	INDIVIDUAL HOMEOWNER	258 COLNER CIR	Granite Trails	3	Sold	-	\$450,000
071-2020-001	1	WOODSIDE 05N LIMITED PARTNERSHIP	128 COLNER CIR	Granite Reserve	1	Finished Lot	-	\$159,000
071-2020-002	2	WOODSIDE 05N LIMITED PARTNERSHIP	130 COLNER CIR	Granite Reserve	2	Finished Lot	-	\$159,000
071-2020-003	3	WOODSIDE 05N LIMITED PARTNERSHIP	132 COLNER CIR	Granite Reserve	3	Finished Lot	-	\$159,000
071-2020-004	4	WOODSIDE 05N LIMITED PARTNERSHIP	136 COLNER CIR	Granite Trails	3	Model Home	-	\$450,000
071-2020-005	5	WOODSIDE 05N LIMITED PARTNERSHIP	138 COLNER CIR	Granite Trails	2	Model Home	-	\$450,000
071-2020-006	6	WOODSIDE 05N LIMITED PARTNERSHIP	140 COLNER CIR	Granite Trails	1	Model Home	-	\$450,000
071-2020-007	7	WOODSIDE 05N LIMITED PARTNERSHIP	142 COLNER CIR	Granite Reserve	1	Model Home	-	\$495,000
071-2020-008	8	WOODSIDE 05N LIMITED PARTNERSHIP	146 COLNER CIR	Granite Reserve	2	Model Home	-	\$495,000
071-2020-009	9	WOODSIDE 05N LIMITED PARTNERSHIP	148 COLNER CIR	Granite Reserve	3	Model Home	-	\$495,000
071-2020-010	10	INDIVIDUAL HOMEOWNER	152 COLNER CIR	Granite Reserve	3	Sold	-	\$495,000
071-2020-011	11	INDIVIDUAL HOMEOWNER	154 COLNER CIR	Granite Reserve	2	Sold	-	\$495,000
071-2020-012	12	INDIVIDUAL HOMEOWNER	156 COLNER CIR	Granite Reserve	1	Sold	-	\$495,000
071-2020-013	13	INDIVIDUAL HOMEOWNER	158 COLNER CIR	Granite Reserve	1	Sold	\$467,501	-
071-2020-014	14	INDIVIDUAL HOMEOWNER	160 COLNER CIR	Granite Reserve	2	Sold	\$482,154	-
071-2020-015	15	INDIVIDUAL HOMEOWNER	162 COLNER CIR	Granite Reserve	3	Sold	\$495,684	-
071-2020-016	16	INDIVIDUAL HOMEOWNER	166 COLNER CIR	Granite Reserve	3	Sold	\$497,149	-

071-2020-017	17	INDIVIDUAL HOMEOWNER	168 COLNER CIR	Granite Reserve	2	Sold	\$470,000	-
071-2020-018	18	INDIVIDUAL HOMEOWNER	170 COLNER CIR	Granite Reserve	1	Sold	\$473,985	-
071-2020-019	19	INDIVIDUAL HOMEOWNER	172 COLNER CIR	Granite Reserve	1	Sold	\$466,140	-
071-2020-020	20	INDIVIDUAL HOMEOWNER	174 COLNER CIR	Granite Reserve	2	Sold	\$474,606	-
071-2020-021	21	INDIVIDUAL HOMEOWNER	176 COLNER CIR	Granite Reserve	3	Sold	\$511,018	-
071-2020-022	22	INDIVIDUAL HOMEOWNER	180 COLNER CIR	Granite Reserve	3	Sold	\$499,520	-
071-2020-023	23	INDIVIDUAL HOMEOWNER	182 COLNER CIR	Granite Reserve	2	Sold	\$467,000	-
071-2020-024	24	INDIVIDUAL HOMEOWNER	184 COLNER CIR	Granite Reserve	1	Sold	\$456,452	-
071-2020-025	63	INDIVIDUAL HOMEOWNER	319 COLNER CIR	Granite Trails	1	Sold	\$408,000	-
071-2020-026	64	INDIVIDUAL HOMEOWNER	321 COLNER CIR	Granite Trails	2	Sold	\$421,770	-
071-2020-027	65	INDIVIDUAL HOMEOWNER	323 COLNER CIR	Granite Trails	2	Sold	\$428,400	-
071-2020-028	66	INDIVIDUAL HOMEOWNER	325 COLNER CIR	Granite Trails	3	Sold	\$466,167	-
071-2020-029	67	INDIVIDUAL HOMEOWNER	329 COLNER CIR	Granite Trails	3	Sold	\$464,679	-
071-2020-030	68	INDIVIDUAL HOMEOWNER	331 COLNER CIR	Granite Trails	2	Sold	\$408,422	-
071-2020-031	69	INDIVIDUAL HOMEOWNER	333 COLNER CIR	Granite Trails	1	Sold	\$409,229	-
071-2020-032	70	INDIVIDUAL HOMEOWNER	335 COLNER CIR	Granite Trails	1	Sold	\$411,060	-
071-2020-033	71	INDIVIDUAL HOMEOWNER	337 COLNER CIR	Granite Trails	2	Sold	\$430,075	-
071-2020-034	72	INDIVIDUAL HOMEOWNER	339 COLNER CIR	Granite Trails	3	Sold	\$470,046	-
071-2020-035	73	INDIVIDUAL HOMEOWNER	343 COLNER CIR	Granite Trails	3	Sold	\$464,369	-
071-2020-036	74	INDIVIDUAL HOMEOWNER	345 COLNER CIR	Granite Trails	1	Sold	\$424,710	-
071-2020-037	75	INDIVIDUAL HOMEOWNER	101 COLNER CIR	Granite Reserve	1	Sold	\$460,221	-
071-2020-038	76	INDIVIDUAL HOMEOWNER	105 COLNER CIR	Granite Reserve	1	Sold	\$453,573	-
071-2020-039	77	INDIVIDUAL HOMEOWNER	157 COLNER CIR	Granite Reserve	1	Sold	\$415,832	-
071-2020-040	78	INDIVIDUAL HOMEOWNER	161 COLNER CIR	Granite Reserve	3	Sold	\$509,425	-
071-2020-041	79	INDIVIDUAL HOMEOWNER	163 COLNER CIR	Granite Reserve	1	Sold	\$470,175	-
071-2020-042	80	INDIVIDUAL HOMEOWNER	167 COLNER CIR	Granite Reserve	1	Sold	\$456,646	-
071-2020-043	81	INDIVIDUAL HOMEOWNER	169 COLNER CIR	Granite Reserve	2	Sold	\$451,843	-
071-2020-044	82	INDIVIDUAL HOMEOWNER	171 COLNER CIR	Granite Reserve	3	Sold	\$496,864	-
071-2020-045	83	INDIVIDUAL HOMEOWNER	175 COLNER CIR	Granite Reserve	3	Sold	-	\$495,000
071-2020-046	84	INDIVIDUAL HOMEOWNER	177 COLNER CIR	Granite Reserve	2	Sold	\$436,978	-
071-2020-047	85	INDIVIDUAL HOMEOWNER	179 COLNER CIR	Granite Reserve	1	Sold	\$444,711	-
071-2020-048	98	WOODSIDE 05N LIMITED PARTNERSHIP	126 COLNER CIR	Granite Trails	1	Home Under Construction	-	\$159,000
071-2020-049	99	WOODSIDE 05N LIMITED PARTNERSHIP	124 COLNER CIR	Granite Trails	2	Home Under Construction	-	\$159,000
071-2020-050	100	WOODSIDE 05N LIMITED PARTNERSHIP	122 COLNER CIR	Granite Trails	3	Home Under Construction	-	\$159,000
071-2020-051	101	WOODSIDE 05N LIMITED PARTNERSHIP	118 COLNER CIR	Granite Trails	3	Home Under Construction	-	\$159,000
071-2020-052	102	WOODSIDE 05N LIMITED PARTNERSHIP	116 COLNER CIR	Granite Trails	2	Home Under Construction	-	\$159,000
071-2020-053	103	WOODSIDE 05N LIMITED PARTNERSHIP	114 COLNER CIR	Granite Trails	1	Home Under Construction	-	\$159,000
071-2020-054	104	WOODSIDE 05N LIMITED PARTNERSHIP	112 COLNER CIR	Granite Trails	3	Home Under Construction	-	\$159,000
071-2020-055	105	WOODSIDE 05N LIMITED PARTNERSHIP	110 COLNER CIR	Granite Trails	2	Home Under Construction	-	\$159,000
071-2020-056	106	WOODSIDE 05N LIMITED PARTNERSHIP	108 COLNER CIR	Granite Trails	1	Home Under Construction	-	\$159,000
071-2020-058	108	WOODSIDE 05N LIMITED PARTNERSHIP	404 VAN DYKE WAY	Granite Trails	2	Home Under Construction	-	\$159,000
071-2020-059	109	WOODSIDE 05N LIMITED PARTNERSHIP	408 VAN DYKE WAY	Granite Trails	1	Home Under Construction	-	\$159,000
071-2020-060	110	INDIVIDUAL HOMEOWNER	409 VAN DYKE WAY	Granite Trails	1	Sold	-	\$450,000
071-2020-061	111	INDIVIDUAL HOMEOWNER	405 VAN DYKE WAY	Granite Trails	2	Sold	-	\$450,000
071-2020-063	113	INDIVIDUAL HOMEOWNER	346 COLNER CIR	Granite Trails	3	Sold	-	\$450,000
071-2020-064	114	INDIVIDUAL HOMEOWNER	344 COLNER CIR	Granite Trails	2	Sold	-	\$450,000
071-2020-065	115	INDIVIDUAL HOMEOWNER	342 COLNER CIR	Granite Trails	1	Sold	-	\$450,000
071-2020-066	116	INDIVIDUAL HOMEOWNER	338 COLNER CIR	Granite Trails	1	Sold	\$415,000	-
071-2020-067	117	INDIVIDUAL HOMEOWNER	336 COLNER CIR	Granite Trails	2	Sold	\$428,787	-
071-2020-068	118	INDIVIDUAL HOMEOWNER	334 COLNER CIR	Granite Trails	3	Sold	-	\$450,000
071-2020-069	119	INDIVIDUAL HOMEOWNER	330 COLNER CIR	Granite Trails	3	Sold	-	\$450,000
071-2020-070	120	INDIVIDUAL HOMEOWNER	328 COLNER CIR	Granite Trails	2	Sold	\$435,000	-
071-2020-071	121	INDIVIDUAL HOMEOWNER	326 COLNER CIR	Granite Trails	1	Sold	\$412,000	-
071-2020-072	122	INDIVIDUAL HOMEOWNER	322 COLNER CIR	Granite Trails	1	Sold	\$416,160	-
071-2020-073	123	INDIVIDUAL HOMEOWNER	320 COLNER CIR	Granite Trails	2	Sold	\$426,870	-
071-2020-074	124	INDIVIDUAL HOMEOWNER	318 COLNER CIR	Granite Trails	3	Sold	\$462,769	-
071-2020-075	125	INDIVIDUAL HOMEOWNER	314 COLNER CIR	Granite Trails	3	Sold	\$473,759	-
071-2020-076	126	INDIVIDUAL HOMEOWNER	312 COLNER CIR	Granite Trails	2	Sold	\$432,480	-
071-2020-077	127	INDIVIDUAL HOMEOWNER	310 COLNER CIR	Granite Trails	1	Sold	\$424,320	-
071-2020-095	107	WOODSIDE 05N LIMITED PARTNERSHIP	400 VAN DYKE WAY	Granite Trails	3	Home Under Construction	-	\$159,000
071-2020-097	112	INDIVIDUAL HOMEOWNER	401 VAN DYKE WAY	Granite Trails	3	Sold	-	\$450,000

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

City Council
City of Folsom
Folsom, California

City of Folsom
Community Facilities District No. 16 (The Islands at Parkshore)
Improvement Area No. 1 Special Tax Bonds, Series 2018
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Folsom (the “City”) in connection with issuance of \$5,770,000 aggregate principal amount of the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds, Series 2018 (the “Bonds”). The Bonds are being issued pursuant to a Master Indenture, dated as of March 1, 2018 (the “Master Indenture”), as supplemented by a First Supplemental Indenture, dated as of March 1, 2018 (the “First Supplemental Indenture” and, together with the Master Indenture as so supplemented, the “Indenture”), each between the City and MUFG Union Bank, N. A., as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate, dated the date hereof (the “Tax Certificate”), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, 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 laws, 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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. 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 City. 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 Indenture 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 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 Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, 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 cities 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, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such

assets. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. 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 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 Bonds constitute the valid and binding special tax obligations of the City, payable solely from the Special Tax and certain funds held under the Indenture.

2. The Master Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

3. The First Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

4. Interest on the 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 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF FOLSOM AND THE COUNTY OF SACRAMENTO

The following information is included only for the purpose of supplying general information regarding the City of Folsom (the “City”) and the County of Sacramento (the “County”). This information is provided only for general informational purposes and provides prospective investors limited information about the City and the County and their economic base. The Bonds are not a debt of the City, the County, or the State or any of its political subdivisions, and the City, the County, and the State and its political subdivisions are not liable therefor.

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 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 30 years.

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:

Member	Term Expires
Stephen E. Miklos (Mayor)	11/2018
Ernie Sheldon (Vice Mayor)	11/2020
Roger Gaylord III	11/2020
Kerri Howell	11/2018
Andrew J. Morin	11/2018

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.

Population

The historic population of the City, the County and the State is shown in the following table.

**City of Folsom, Sacramento County and State of California
Population Estimates
(As of January 1)**

<u>Year</u>	<u>City of Folsom</u>	<u>Sacramento County</u>	<u>State of California</u>
1990 ⁽¹⁾	29,989	1,078,309	29,811,427
2000 ⁽¹⁾	51,884	1,223,499	33,871,648
2010 ⁽¹⁾	72,203	1,418,788	37,253,956
2013	72,951	1,452,994	38,238,492
2014	74,943	1,466,309	38,572,211
2015	76,002	1,482,542	38,915,880
2016	77,310	1,496,619	39,189,035
2017	78,525	1,514,770	39,523,613

⁽¹⁾ Based on United States Census Bureau data as of April 1 in such year.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2011-2017, with 2010 Benchmark, Sacramento, California, May 2017.

Building Activity

Residential building activity for the past five calendar years for the City is shown in the following table.

**BUILDING PERMITS AND VALUATIONS
City of Folsom
2013-2017**

<u>Permit Valuation</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
New Single-Family	\$83,919,939	\$69,846,696	\$86,266,359	\$46,986,075	49,876,243
New Multi-Family	12,279,438	0	13,480,176	0	44,567,106
Res. Alterations/Additions	5,495,003	6,481,657	7,140,940	7,998,378	9,213,460
Res. Other	17,094,740	22,679,391	22,176,570	28,183,401	21,854,701
Total Residential ⁽¹⁾	<u>\$118,789,120</u>	<u>\$99,007,744</u>	<u>\$129,064,045</u>	<u>\$83,167,854</u>	<u>125,511,510</u>
New Commercial	\$11,214,049	\$676,430	\$1,028,901	\$5,922,468	1,440,277
New Industrial	0	1,250,000	0	0	3,374,395
Comm./Ind.	21,310,219	16,513,432	29,358,399	36,482,804	21,432,333
Alterations/Add.					
Non-Res. Other	17,902,741	15,362,349	8,299,083	26,073,353	14,023,780
Total Non-Residential ⁽¹⁾	<u>\$50,427,009</u>	<u>\$33,802,211</u>	<u>\$38,686,383</u>	<u>\$68,478,625</u>	<u>40,270,785</u>

⁽¹⁾ Totals may not add to sum because of rounding.

Source: City of Folsom.

Employment and Industry

The table on the following page reflects recent employment information for the City's largest employers, as of June 30, 2017.

MAJOR EMPLOYERS
City of Folsom
As of June 30, 2017

Employer	Product/Service	Employees	% of Total Employment
Intel Corporation	Electronic Manufacturers	5,609	15.49%
California State Prison – Sacramento	Government Entities	1,752	4.84%
Folsom State Prison	Government Entities	1,125	3.11%
Folsom Cordova Unified School District*	Education	984	2.72%
Mercy Hospitals of Folsom	Health Care Facilities	746	2.06%
California ISO	Utilities	593	1.64%
City of Folsom	Government Entities	418	1.15%
Micron Technology ⁽¹⁾	Electronic Manufacturers	385	1.06%
SAFE Credit Union	Banking	325	0.90%
Costco	Retail	300	0.83%
Total Top Employers			
Total Labor Force ⁽¹⁾		36,200	100.00

* Includes both certified and classified employees in Folsom only.

⁽¹⁾ Total labor force provided by EDD Labor Force Data, March 2017, not seasonally adjusted.

Source: City of Folsom; MuniServices, LLC.

The unemployment rate in the Sacramento—Arden-Arcade—Roseville, CA Metropolitan Statistical Area (“Sacramento MSA”), which includes Sacramento, Placer, El Dorado, and Yolo Counties, was 5.2% in 2016, down from the 2015 estimate of 5.8%. This compares with an unadjusted unemployment rate of 5.4% for California and 4.9% for the nation during the same period. The unemployment rate was 5.1% in El Dorado County, 4.4% in Placer County, 5.4% in Sacramento County and 5.8% in Yolo County.

The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2012 through 2016.

SACRAMENTO MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2012 through 2016
Annual Averages

	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Civilian Labor Force ⁽¹⁾	1,047,900	1,046,500	1,046,700	1,055,800	1,073,300
Employment	939,900	955,900	972,200	994,200	1,017,300
Unemployment	108,000	90,600	74,500	61,600	56,000
Unemployment Rate	10.3%	8.7%	7.1%	5.8%	5.2%
<u>Wage and Salary Employment ⁽²⁾</u>					
Agriculture	8,600	8,900	9,200	9,400	9,200
Natural Resources and Mining	400	400	400	500	500
Construction	38,400	43,300	45,500	50,200	54,500
Manufacturing	33,900	34,100	35,400	36,400	36,200
Wholesale Trade	25,200	25,000	24,500	24,700	25,500
Retail Trade	91,800	93,800	95,300	98,000	100,600
Transportation, Warehousing and					
Utilities	22,000	22,900	23,600	24,600	25,900
Information	15,600	14,800	13,900	14,100	13,800
Finance and Insurance	35,700	36,300	35,500	37,000	37,500
Real Estate and Rental and Leasing	12,500	13,100	13,400	13,800	14,400
Professional and Business Services	111,100	114,600	118,200	120,200	128,600
Educational and Health Services	125,600	130,700	134,300	140,100	145,900
Leisure and Hospitality	84,500	88,700	91,800	95,400	99,800
Other Services	28,600	29,000	30,200	30,900	31,200
Federal Government	13,700	13,500	13,600	13,700	14,100
State Government	108,200	109,900	113,400	115,300	116,600
Local Government	<u>99,600</u>	<u>99,200</u>	<u>100,800</u>	<u>102,900</u>	<u>104,600</u>
Total, All Industries	855,300	878,200	898,800	927,200	958,700

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

Sales Taxes

The following tables show taxable transactions in the City and County during calendar years 2012 through 2016.

TAXABLE SALES City of Folsom 2012-2016 (in Thousands)

<i>Year</i>	<i>Retail Permits</i>	<i>Retail and Food Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2012	1379	1,343,753	1926	1,453,959
2013	1559	1,460,551	2118	1,576,337
2014	1631	1,493,603	2198	1,619,732
2015	1649	1,494,540	2454	1,666,468
2016 ⁽¹⁾	1588	1,550,541	2404	1,782,959

⁽¹⁾ Through fourth quarter of 2016.

Source: State Board of Equalization and the City.

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.

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 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 Environmental and Water Resources Department inspects and maintains the over 340 miles of water mains, 20,500 service connections and 3,000 fire hydrants. The City provides sewage collection services for the entire City. The Sewer Division of the City's

Environmental and Water Resources Department inspects and maintains 250 miles of pipeline, 15 lift stations, and over 22,900 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 Public Works 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 E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Definitions

Except as otherwise defined in this Summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this Summary:

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Acquisition and Construction Fund” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Acquisition and Construction Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“Act” means collectively 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.

“Bond Redemption Fund” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Bond Redemption Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“Bond Reserve Fund” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Bond Reserve Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“Bond Year” means the twelve-month period ending on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution, authentication and initial delivery of the first Series issued under the Master Indenture.

“Bonds” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds at any time Outstanding under the Master Indenture that are executed, authenticated and delivered in accordance with the provisions of the Master Indenture.

“Business Day” means any day (other than a Saturday or a Sunday) on which the Trustee is open for business at its Principal Corporate Trust Office.

“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 California charter city and municipal corporation.

“City Council” means the City Council of the City.

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

“Code” means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that such regulations are, at the time, applicable and in effect, 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. 16 (The Islands at Parkshore), a community facilities district duly organized and existing in the City under and by virtue of the Act.

“Community Facilities Fund” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Community Facilities Fund established pursuant to the Master Indenture (to be maintained by the City).

“Costs of Issuance Fund” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Costs of Issuance Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“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 Sinking Fund Account Payments (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Sinking Fund Account Payments required to be deposited in the Sinking Fund Account in such Bond Year.

“Event of Default” means an event described below under the subheading “Events of Default and Remedies.”

“Expense Fund” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Expense Fund established pursuant to the Master Indenture (to be maintained by the City).

“Expenses” means all Administrative Expenses (as defined in the Special Tax Formula) and all expenses paid or incurred by the City for the cost of planning and designing the Facilities or the facilities to be financed with the Fees, including the cost of environmental evaluations, and all costs associated with the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, together with all 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 and the facilities to be financed with the Fees; all as determined in accordance with Generally Accepted Accounting Principles.

“Facilities” means the public facilities authorized to be acquired and constructed in and for Improvement Area No. 1 under and pursuant to the Act at the special elections held in Improvement Area No. 1 on March 1, 2015, and September 8, 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 full faith and credit of 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, together with any repurchase agreements which are secured by any of such securities or obligations that (1) have a fair market value (determined at least daily) at least equal to one hundred two percent (102%) of the amount invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as custodian for the Trustee who holds a perfected first lien therein, and (3) are free from all third party claims.

“Fees” means the governmental fees authorized to be financed with the proceeds of the Bonds at the special election held in Improvement Area No. 1 on September 8, 2015.

“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 Ratings, 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 “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 Master Indenture.

“Improvement Area No. 1” means Improvement Area No. 1 of the Community Facilities District.

“Indenture” means the Master Indenture and all Supplemental Indentures.

“Independent Certified Public Accountant” means any nationally recognized certified public accountant or firm of such accountants, 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.

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

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- (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 to the City.

“Maintenance Special Tax” means the portion of the Special Tax collected pursuant to the Special Tax Formula for the Services, including the maintenance of the Facilities.

“Maintenance Special Tax Fund” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Maintenance Special Tax Fund established pursuant to the Master Indenture (to be maintained by the City).

“Master Indenture” means the Master Indenture, between the City and the Trustee entered into under and pursuant to the Act.

“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 all Outstanding Bonds.

“Maximum Special Tax” means, as of any date of calculation, the sum of the Maximum Facilities Special Tax and the Maximum Maintenance Special Tax, as such terms are defined in the Special Tax Formula.

“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.

“Other CFD Bonds” means, as of any date of determination, any and all bonds, notes or other evidences of indebtedness issued under the Act, other than the Bonds, then outstanding and payable at least partially from special taxes to be levied on any Taxable Property in Improvement Area No. 1.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master Indenture) all Bonds except --

- (1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;
- (2) Bonds paid or deemed to have been paid within the meaning of the Master Indenture; and
- (3) 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 pursuant to the Master Indenture.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean the corporate trust operations office of the Trustee in Los Angeles, California, or such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

“Priority Administrative Expenses” means an amount equal to (i) (a) for Fiscal Year 2018-19, \$20,000, 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 \$20,000.

“Rebate Fund” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Rebate Fund established pursuant to the Master Indenture (to be maintained by the City).

“Required Bond Reserve” means, as of any date of calculation with respect to a Series of Bonds, the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds of such Series, or (b) Maximum Annual Debt Service of the Outstanding Bonds of such Series, or (c) one hundred twenty-five percent (125%) of the average Debt Service of the Outstanding Bonds of such Series payable under the Master Indenture in the current and in all future Bond Years, 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 at least one rating 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 S&P, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time; or such other definition as may be provided in a Supplemental Indenture relating to a Series of Bonds.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, 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 “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Serial Bonds” means Bonds for which no Sinking Fund Account Payments are established.

“Series” means any series of the Bonds authorized, executed and authenticated pursuant to the Master Indenture and pursuant to one or more Supplemental Indentures as constituting a single series and delivered on initial issuance in a simultaneous transaction pursuant to the Master Indenture, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

“Series 2018 Bonds” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds, Series 2018.

“Services” has the meaning ascribed thereto in Resolution No. 9494 of the City, adopted by the City Council on January 27, 2015.

“Sinking Fund Account” means the account in the Bond Redemption Fund referred to by that name established pursuant to the Master Indenture.

“Sinking Fund Account Payments” means the payments required by all Supplemental Indentures to be deposited in the Sinking Fund Account for the payment of the Term Bonds.

“Special Tax” means the special tax authorized to be levied and collected annually on all Taxable Property in Improvement Area No. 1 under and pursuant to the Act at the special election held in Improvement Area No. 1 on March 10, 2015.

“Special Tax Formula” means the Restated Rate and Method of Apportionment for City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 approved at the special election held in Improvement Area No. 1 on March 10, 2015.

“Special Tax Fund” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Special Tax Fund established pursuant to the Master Indenture (to be maintained 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 Master Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Master Indenture.

“Tax Certificate” means any certificate delivered upon the original issuance of a Series relating to Section 148 of the Code, or any functionally similar replacement certificate.

“Taxable Property” means all land within Improvement Area No. 1 taxable under the Act in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

“Term Bonds” means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

“Trustee” means MUFG 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 Master Indenture, at its Principal 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 Master Indenture, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean the principal corporate trust office of the Trustee in Los Angeles, California.

“Value” means, with respect to any Taxable Property in Improvement Area No. 1, either the current assessed value of such Taxable Property within Improvement Area No. 1 or the appraised value of such Taxable Property in Improvement Area No. 1 determined by an MAI appraiser, together with any assigned building permit value, if the building permits assign value to the structure.

“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.

Conditions for the Issuance of Bonds

The City may at any time issue a Series payable from the proceeds of the Special Tax as provided in the Master Indenture on a parity with all other Series theretofore issued under the Master Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of any such Series other than the Series 2018 Bonds:

(a) The issuance of such Series shall have been authorized pursuant to the Act and pursuant to the Master Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Series is to be issued, which shall be to refund Bonds previously issued under the Master Indenture;

(2) The principal amount and designation of such Series and the denomination or denominations of the Bonds of such Series;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which Sinking Fund Account Payments are due, if any, for such Series; provided, that (i) the Serial Bonds of such Series shall be payable as to principal on September 1 of each year in which principal of such Series falls due, and the Term Bonds of such Series shall be subject to mandatory redemption on September 1 of each year in which Sinking Fund Account Payments for such Series are due; (ii) the Bonds of such Series 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 Bonds of such 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 Series or Sinking Fund Account Payments for Term Bonds of such Series, or any combination thereof, shall be established to provide for the redemption or payment of the Bonds of such Series on or before their respective maturity dates;

(4) The redemption premiums and redemption terms, if any, for such Series;

(5) The form of the Bonds of such Series;

(6) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Redemption Fund, and its use to pay interest on the Bonds of such Series;

(7) The amount, if any, to be deposited from the proceeds of sale of such Series in a subaccount of the Bond Reserve Fund;

(8) The amounts, if any, to be deposited from the proceeds of sale of such Series in the separate account for such Series to be maintained in the Costs of Issuance Fund; and

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

(b) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing;

(c) There shall be delivered to the Trustee a Certificate of the City that after the issuance and delivery of such Series of Bonds either (i) none of the Bonds theretofore issued thereunder will be Outstanding or (ii) the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

Acquisition and Construction Fund

There is established with the Trustee a fund to be known as the Acquisition and Construction Fund, into which fund shall be deposited (in a separate account to be maintained therein) the amount required to be deposited therein by the provisions of each Supplemental Indenture providing for the issuance of a Series. All money in the Acquisition and Construction Fund shall be applied by the Trustee in the manner provided by the Act for payment of costs of the acquisition and construction of the Facilities (or for making reimbursements to the City for such costs theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction; for the payment or reimbursement of Fees; or for the repayment of funds advanced to or for the Community Facilities District; upon receipt by the Trustee of a Written Request of the City; provided, that any money remaining in the separate account in the Acquisition and Construction Fund created in connection with the issuance of such Series (after the completion of the payment of the costs of the acquisition and construction of the Facilities and the payment or reimbursement of Fees for which such Series was issued) shall be withdrawn by the Trustee from the Acquisition and Construction Fund and transferred to the Bond Redemption Fund.

Costs of Issuance Fund

There is established with the Trustee a fund to be known as the Costs of Issuance Fund, into which fund shall be deposited (in a separate account to be maintained therein) the amount required to be deposited therein by the provision of each Supplemental Indenture providing for the issuance of a Series. All money in the Costs of Issuance Fund shall be applied by the Trustee upon receipt by the Trustee of a Written Request of the City; provided, that any money remaining in the separate account in the Costs of Issuance Fund created in connection with the issuance of such Series (after the later of six months after the issuance of a Series and the completion of the payment of the Costs of Issuance relating to such Series as specified in writing by the City to the Trustee) shall be withdrawn by the Trustee from the Costs of Issuance Fund and deposited in the Bond Redemption Fund and the separate account in the Costs of Issuance Fund created in connection with the issuance of such Series will be closed.

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

The City agrees and covenants that all proceeds of the Special Tax (including the Maintenance Special Tax), after payment of its Priority Administrative Expenses, when and as received, will be received and held by it in trust under the Master Indenture, and will be deposited as and when received in the "City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Special Tax Fund," which fund is established in the treasury of the City and which fund the City agrees and covenants to maintain so long as any Bonds are Outstanding under the Master Indenture, and all such money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Master Indenture. Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions

set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Master Indenture, all of the proceeds of the Special Tax received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund.

Notwithstanding anything to the contrary in the Master Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the City shall (i) deposit any component thereof representing the "Future Facilities Cost" (as defined in the Special Tax Formula) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Expenses" or "Administrative Fees and Expenses" (as defined in the Special Tax Formula) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds pursuant to the terms of any Supplemental Indenture. The respective amounts of the deposits and transfers described in clauses (i), (ii) and (iii) will be determined by the City.

Allocation of Money in the Special Tax Fund

All money in the Special Tax Fund shall be set aside by the City in the following respective funds and accounts (each of which funds and accounts the City agrees and covenants to maintain or establish with the Trustee, as the case may be, so long as any Bonds are Outstanding under the Master Indenture) in the following order of priority, and all money in each of such funds and accounts shall be applied, used and withdrawn only for the purposes authorized in the Master Indenture, namely:

(1) Bond Redemption Fund. On or before the first (1st) day in each March and September, the City shall, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund 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 the first (1st) day in September 1 in each year, the City shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund 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 the Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Account; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption 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 Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments 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 Sinking Fund Account Payments bear to each other; and provided further, that no deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of this paragraph to be deposited therein at the times and in the amounts provided in the Master Indenture.

All money in the Bond Redemption Fund shall be used and withdrawn by the Trustee solely 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 Account shall be used only to purchase or redeem or retire Term Bonds and any money deposited in the Bond Redemption Fund from the proceeds of a Series of Bonds to be used to pay interest on that Series of Bonds shall be used only to pay interest on that Series of Bonds.

(2) Bond Reserve Fund. The Bond Reserve Fund shall be a fund made up of the separate subaccounts established therein. On or before the first (1st) day in September in each year, the City shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in each subaccount of the Bond Reserve Fund, pro rata, such amount of money as shall be required to restore each subaccount of the Bond Reserve Fund to an amount equal to the respective Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall be valued on or before 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 or her option, if so redeemable, or if not so redeemable, at the lesser of (i) the par value of such investments, or (ii) the market value of such investments; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained in each subaccount therein is at least equal to the Required Bond Reserve. In making any valuations under the Master Indenture, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the interest on or principal of the respective Series of Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; (ii) reinstating the amount available under any municipal bond insurance policy, surety bond, or letter of credit held in satisfaction of all or a portion of the Required Bond Reserve; or (iii) retiring Bonds, in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds; provided, that if as a result of any of the valuations required by the paragraph immediately above it is determined that the amount of money in any subaccount of the Bond Reserve Fund 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 other subaccounts Bond Reserve Fund, pro rata, until such subaccounts meet the Required Bond Reserve, and then shall deposit the remainder in the Bond Redemption Fund. Each subaccount of the Bond Reserve Fund shall secure only the related Series of Bonds; provided that if a Series of Bonds is redeemed or defeased and excess amounts remain in the related subaccount of the Bond Reserve Fund, such amount may be used to retire or redeem another Series of Bonds.

(3) Maintenance Special Tax Fund. On September 1 in each year, the City shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Maintenance Special Tax Fund a sum equal to the Maintenance Special Tax collected in the prior year. All money in the Maintenance Special Tax Fund shall be used and withdrawn by the City only for payment of the Services.

(4) Expense Fund. On September 1 in each year, the City shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount of budgeted Expenses during the twelve-month period beginning on such date, or to reimburse the City for the payment of unbudgeted Expenses during the prior twelve-month period that is in excess of the Priority Administrative Expenses. All money in the Expense Fund shall be used and withdrawn by the City only for transfer to or for the account of the City to pay budgeted Expenses as provided in the Master Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Master 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 on September 1 of each year, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the Master Indenture, shall be withdrawn from the Special Tax Fund by the City for and deposited in the "City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Community Facilities Fund," which fund the City agrees and covenants to maintain so long as any Bonds are Outstanding under the Master Indenture, and 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 Act; provided, that the City shall not make any such withdrawal of money in the Special Tax Fund if and when an Event of Default is then existing under the Master Indenture.

Covenants of the City

Punctual Payment and Performance. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued under the Master Indenture in strict conformity with the terms of the Act and of the Master Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Indenture and in all Supplemental Indentures and in the Bonds required to be observed and performed by it.

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 Master 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 Master 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 Master Indenture.

Against Federal Income Taxation.

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions of the Master Indenture. In the event that at any time the City is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any money held by the Trustee under the Master Indenture or otherwise the City shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is established in the treasury of the City a fund to be known as the “City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds Rebate Fund” to be held in trust and administered by the City. The City will comply with the provisions of each Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in the Master Indenture and in each Tax Certificate and no other person shall have claim to such money except as provided in each Tax Certificate.

(c) In connection with the issuance of a Series of Bonds, the City may exclude the application of the covenants contained in the Master Indenture as described under this caption to such Series of 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.

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 Improvement Area No. 1 in accordance with the Special Tax Formula and, subject to the limitations in the Special Tax Formula and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund, 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 Master Indenture, and which in any event will be sufficient to pay the interest on and principal of and 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 Fund and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Master Indenture. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes for the County of Sacramento are collected and, except as otherwise provided in the Master Indenture or by the Act, 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 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 total amount so collected is deficient by more than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, the City will, within sixty (60) days thereafter, institute foreclosure proceedings as authorized by the Act to enforce the lien of the delinquent installments of such Special Tax against each lot or parcel of land, 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 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 Master Indenture 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.

Further Assurances. The City will adopt, deliver, execute, make and file any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Master Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Master Indenture, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Special Taxes provided in the Master Indenture to the fullest extent possible under applicable law of the State of California.

Amendment of or Supplement to the Master Indenture

Procedure for Amendment of or Supplement to the Master Indenture.

(a) Amendment or Supplement With Consent of Holders. The Master 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 a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Master Indenture, 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 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 Master 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 on a parity with the Bonds other than as provided in the Master 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. The written consent of the Holders of a Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds and (b) through a provision of a Supplemental Indenture that deems any Holder purchasing such Series of Bonds to consent for purposes of this paragraph by virtue of its purchase of such Series of Bonds.

(b) Amendment or Supplement Without Consent of Holders. The Master 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 for any one or more of the following purposes –

- (i) To add to the agreements and covenants required in the Master 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 Master Indenture to or conferred in the Master Indenture upon the City which shall not (in the opinion of the City) materially 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 Master Indenture or in regard to questions arising under the Master Indenture which the City may deem desirable or necessary and not inconsistent with the Master Indenture and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders;
- (iii) To authorize the issuance under the Act and under the Master Indenture of a Series and to provide the conditions and terms under which such Series may be issued, subject to and in accordance with the provisions of the Master Indenture;
- (iv) To authorize the issuance under and subject to the Act of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued, subject to and in accordance with the provisions of the Master Indenture;
- (v) 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;
- (vi) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating on the Bonds;
- (vii) To permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by that act or similar federal statute and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders; and
- (viii) For any other purpose that does not (in the opinion of the City) materially adversely affect the interests of the Holders.

Disqualified Bonds. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Master Indenture, and shall not be entitled to consent to or take any other action provided therein.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Master Indenture, the City may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

Amendment or Supplement by Mutual Consent. The provisions of the Master Indenture shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; provided, that due notation thereof is made on such Bonds.

Events of Default and Remedies

Events of Default and Remedies. 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 Sinking Fund Account Payment for any of the Bonds when and as the same shall become due and payable, whether at maturity, by proceedings for redemption or otherwise;

(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 Master 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; or

(c) 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 the Trustee may take the following remedial steps --

(a) by mandamus or other suit or proceeding at law or in equity to compel the City Council or the City or any of the officers or employees of the City to perform each and every term, provision and covenant contained in the Indenture and in the Bonds and carry out their duties under the Act and the agreements and covenants with the Holders contained in the Master 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.

Application of Proceeds of Special Tax After Default. If an Event of Default shall occur and be continuing, all proceeds of the Special Tax thereafter received by the City shall be immediately transferred to the Trustee and the Trustee shall apply all proceeds of the Special Tax and any other funds thereafter received by the Trustee under any of the provisions of the Indenture as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, including the costs and expenses of the Trustee and the Holders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture.

(b) To the payment of the principal of and interest and premium, if any, then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal (including Sinking Fund Account Payments) of and redemption premium, if any, on the Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal of and premium, if any, due on such date to the persons entitled thereto, without any discrimination or preference.

(c) Any remaining amounts shall be transferred by the Trustee to the City for deposit in the Special Tax Fund.

Trustee to Represent Holders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Holders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Master Indenture, or in aid of the execution of any power granted in the Master Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the proceeds of the Special Tax and other amounts and assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Holders' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Trustee under the Master Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitation on Holders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers granted in the Master Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Master Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the City. Nothing the Indenture, or in the Bonds, contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and redemption premium, if any, and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Master Indenture, but only out of the proceeds of the Special Tax and other assets pledged in the Master Indenture therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Holders 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 or the Holders, then in every such case the City, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Master Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Holders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Master Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Defeasance

Discharge of the Bonds.

(a) 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 Master Indenture, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under the Master 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 Master Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) 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 immediately preceding paragraph 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.

(c) 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 paragraph (a) of this section if (1) in

case any of such Bonds are to be redeemed on any date prior to their maturity date, notice of redemption shall have been given as provided in the Master Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, (2) there shall have been deposited with an escrow agent or the Trustee either (x) money in an amount which 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 or (y) 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 in the case of a deposit pursuant to clause (y) of this paragraph, 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 instructed the Trustee to mail pursuant to the Master Indenture 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 this section 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 and Certain Other Funds. Notwithstanding anything contained in the Master 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 Master Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

Waiver of Personal Liability. No member of the City Council or officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing in the Master Indenture shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided by the Master Indenture or by the Act or by any other applicable provisions of law.

APPENDIX F

FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of March 15, 2018 (this “Certificate”), is executed and delivered by 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 (the “Issuer”), in connection with the issuance of the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds, Series 2018 (the “Bonds”). The Bonds are being issued pursuant to a Master Indenture, dated as of March 1, 2018 as supplemented by a First Supplemental Indenture dated as of March 1, 2018 (collectively, the “Indenture”), each between the Issuer and MUFG Union Bank, N.A., as trustee (the “Trustee”).

The Issuer hereby covenants as follows:

Section 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture and the Rate and Method of Apportionment, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“**Annual Report**” means any annual report that meets the criteria in Section 4 and is provided by the Issuer under Section 3.

“**Annual Report Date**” means March 31 in each year.

“**Beneficial Owner**” means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary); or (b) is treated as the owner of any Bond for federal income-tax purposes.

“**Business Day**” means any day the Issuer’s offices in Folsom, California, are open to the public.

“**Dissemination Agent**” initially means the Issuer, and thereafter it means any successor Dissemination Agent the Issuer designates in writing.

“**District**” means the City of Folsom Community Facilities District No. 16 (The Islands at Parkshore).

“**EMMA**” means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.

“**Listed Events**” means any of the events listed in Section 5(a) of this Certificate.

“**MSRB**” means the Municipal Securities Rulemaking Board.

“**Official Statement**” means the Issuer’s official statement with respect to the Bonds.

“**Participating Underwriter**” means Hilltop Securities Inc.

“**Rate and Method of Apportionment**” means the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 approved by the Resolution of Formation.

“Resolution of Formation” means the Resolution adopted by the Folsom City Council on March 10, 2015, and designated as Resolution No. 9519, by which the Issuer undertook proceedings to form the District and designate Improvement Area No. 1 of the District.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

“Tax-exempt” means that interest on the Bonds is excluded from gross income for federal income-tax purposes, whether or not the interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. Provision of Annual Reports. (a) The Issuer 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 2017-18 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 Issuer 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 Issuer’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 Issuer shall provide the Annual Report to the Dissemination Agent.

(c) If the Dissemination Agent is other than the Issuer, then not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. If the Issuer is unable to provide the Annual Report to the MSRB by the Annual Report Date, the Issuer 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 Issuer 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 Issuer’s Annual Report must contain or include by reference all of the following:

(a) *Financial Statements.* The Issuer’s audited financial statements for the Issuer’s most recent fiscal year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by Section 3, then the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.

(b) *Financial and Operating Data.* The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer’s audited financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:

(i) Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:

(A) The Bond Redemption Fund (with a statement of the debt-service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue, *i.e.*, the Debt Service due on the following September 1).

(B) The Series 2018 Bond Reserve Subaccount.

(ii) The total assessed value of all Taxable Property within Improvement Area No. 1 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.).

(iii) A statement of the debt-service requirements for the Bonds for the prior fiscal year.

(iv) A statement of the actual Special Tax collections for Improvement Area No. 1 for the prior fiscal year.

(v) The Special Tax delinquency rate for Improvement Area No. 1 as of the December 31 next preceding the Annual Report Date; the number of parcels of Taxable Property within Improvement Area No. 1 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 Issuer; 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.

(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) The status of foreclosure proceedings and a summary of the results of any foreclosure sales in Improvement Area No. 1 as of the December 31 next preceding the Annual Report Date.

(viii) Either (i) the total amount of Special Tax actually levied in each District during the prior year as compared to the Maximum Special Tax for such year or (ii) the apportionment of the Special Tax actually levied in each District during the prior year for each land use category (*i.e.*, “Developed,” “Undeveloped,” and/or any other relevant classification provided in the Rate and Method of Apportionment)

(ix) The following information (to the extent that it is no longer reported in the Issuer’s annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):

(A) The Required Bond Reserve for the prior fiscal year.

(B) A statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax.

(C) A statement of any discontinuance of the County’s Teeter Plan with respect to any Taxable Property.

(c) Any or all of the items listed in Section 4(a) or 4(b) may be included by specific reference to other documents (including official statements of debt issues of the Issuer or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available through EMMA. The Issuer shall clearly identify each document included by reference.

Section 5. Reporting of Significant Events.

(a) The Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not less than ten Business Days after the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt-service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds.
- (6) Defeasances.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership, or similar proceedings.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, 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

- (9) Ratings changes.

(b) Additionally, the Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) 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 under its terms.
- (2) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.
- (3) Nonpayment related defaults.
- (4) Modifications to the rights of Bondholders.
- (5) Optional, unscheduled or contingent Bond calls.
- (6) Release, substitution, or sale of property securing repayment of the Bonds.

(c) If the Issuer's fiscal year changes, then the Issuer shall report or shall instruct the Dissemination Agent to report the change in the same manner and to the same parties as Listed Event would be reported under this Section 5.

(d) The undertaking set forth in this Certificate is the Issuer's responsibility. The Dissemination Agent, if other than the Issuer, is not responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If termination occurs before the final maturity of the Bonds, then the Issuer shall give notice of the termination in the same manner as for a Listed Event under Section 5.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Issuer will be the initial Dissemination Agent. The Dissemination Agent may resign by providing 30-days' advance written notice to the Issuer, with the resignation effective upon appointment of a new Dissemination Agent.

Section 8. Amendment.

(a) The parties may amend this Certificate by written agreement of the parties without the consent of the Holders, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature, or status of the Issuer or the type of business the Issuer conducts.

(ii) The undertakings in this Certificate as so amended or waived would have complied, in the opinion of a nationally recognized bond counsel, with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances.

(iii) The amendment or waiver either (A) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (B) does not, in the determination of the Issuer, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

(b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the change must include a narrative explanation of the reasons for the amendment and the impact of the change on the type of operating data or financial information being provided.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made must 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 must include both a quantitative discussion and, to the extent reasonably feasible, a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 9. Additional Information. This Certificate does not prevent the Issuer (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate,

then the Issuer will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Holder or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the Issuer and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Certificate is an action to compel performance.

Section 11. Duties, Immunities, and Liabilities of Dissemination Agent.

(a) Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties expressly set forth in this Certificate, and the Issuer shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including reasonable attorney's fees and other expenses of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the Dissemination Agent's negligence or willful misconduct.

(b) Except as provided in Section 11(a), the Issuer shall pay any Dissemination Agent (1) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (2) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate.

(c) The Dissemination Agent has no duty or obligation to review any information the Issuer provides to it under this Certificate. The Issuer's obligations under this Section 11 will survive the Dissemination Agent's resignation or removal and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.

Section 12. Beneficiaries. This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.

Section 13. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.

Section 14. Effective Date. This Certificate is effective as of the date and year set forth above in the preamble.

CITY OF FOLSOM

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Folsom

Name of Issue: City of Folsom Community Facilities District No. 16 (The Islands at Parkshore)
Improvement Area No. 1 Special Tax Bonds, Series 2018

Date of Issuance: March 15, 2018

NOTICE IS HEREBY GIVEN that the City of Folsom (the "City") has not provided an Annual Report with respect to the above-named Series 2018 Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated March 15, 2018, 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

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APPENDIX G

FORM OF WOODSIDE CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”), dated March 1, 2018, is executed and delivered by Woodside 05N, L.P, a California limited partnership (the “Landowner”), in connection with the issuance by the City of Folsom (the “City”) of its \$5,770,000 City of Folsom Community Facilities District No. 16 (The Islands at Parkshore) Improvement Area No. 1 Special Tax Bonds, Series 2018 (the “Bonds”). The Bonds are being issued under a Master Indenture, dated as of March 1, 2018 as supplemented by a First Supplemental Indenture dated as of March 1, 2018 (collectively, the “Indenture”), each between the Issuer and MUFG Union Bank, N.A., as trustee (the “Trustee”). The Landowner covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Landowner to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. Unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” shall mean any Person presently directly (or through one or more intermediaries) currently under managerial control of the Landowner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or the Landowner's ability to pay the Special Taxes related to the Property prior to delinquency.

“Annual Report” shall mean any Annual Report to be provided by the Landowner on or prior to June 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” initially means the Landowner, and thereafter it means any successor Dissemination Agent the Landowner designates in writing.

“District” shall mean City of Folsom Community Facilities District No. 16 (The Islands at Parkshore).

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Improvement Area No. 1” means Improvement Area No. 1 of the District.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final Official Statement, dated March 1, 2018, relating to the Bonds.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Property” shall mean the property owned by the Landowner or an Affiliate in Improvement Area No. 1 that is subject to the Special Tax.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“Semiannual Report” shall mean any report to be provided by the Landowner on or prior to December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Underwriter” shall mean the original underwriter of the Bonds, Hilltop Securities Inc.

SECTION 3. Provision of Annual Reports and Semiannual Reports.

(a) Until such time as the Landowner’s reporting requirements terminate pursuant to Section 6 below, the Landowner shall, or upon receipt of the Annual Report from the Landowner the Dissemination Agent shall, not later than June 15 of each year, commencing June 15, 2018, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, June 15 falls on a Saturday, Sunday, or a holiday, such deadline shall be extended to the next following day that is not a Saturday, Sunday, or holiday. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

In addition, until such time as the Landowner’s reporting requirements terminate pursuant to Section 6 below, the Landowner shall, or upon receipt of the Semiannual Report from the Landowner the Dissemination Agent shall, not later than December 15 of each year, commencing December 15, 2018, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, December 15 falls on a Saturday, Sunday, or a holiday, such deadline shall be extended to the next following day that is not a Saturday, Sunday, or holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is other than the Landowner, not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to the Repository, the Landowner (i) shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or (ii) shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be filed. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Landowner of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to the Repository by the applicable June 15th or December 15th or to verify that an Annual Report or Semiannual Report has been provided to the Repository by the Landowner by the applicable June 15th or December 15th, the Dissemination Agent shall send a notice to the Repository in the form required by the Repository.

(d) If the Dissemination Agent is other than the Landowner, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Annual Report or the Semiannual Report, as applicable, file a report with the Landowner and the City certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB’s EMMA system.

SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference the information which is updated through a date which shall not be more than 60 days prior to the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. An update (if any) to the information relating to the Landowner and its Affiliates under the captions in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENT."
2. Any significant amendments to land use entitlements that are known to the Landowner that could materially adversely impact the development of the Property.
3. To the extent not updated by Section 4(a)(1) above, an update of the sale, if any, of Property by the Landowner to a merchant builder.

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Landowner shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to itself or the Property, if material under clauses (b) and (c), as soon as practicable after the Landowner obtains knowledge of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied on the Property on or prior to the delinquency date to the extent that such failure is not promptly cured by the Landowner upon discovery thereof;
2. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing related to the Property to which the Landowner or any Affiliate has been provided a notice of default;
3. Material default by the Landowner or any Affiliate on any loan secured by the Property to which the Landowner or any Affiliate has been provided a notice of default;
4. Payment default by the Landowner or any Affiliate on any loan of the Landowner or any Affiliate (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan and, in the reasonable judgment of the Landowner, such payment default will adversely affect the completion of the development of the Property, or would materially adversely affect the financial condition of the Landowner (or an Affiliate if the Affiliate owns Property), or their respective ability to pay Special Taxes levied on the Property prior to delinquency;
5. The filing of any proceedings with respect to the Landowner in which the Landowner may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of its debts;
6. If known to the Landowner, the filing of any proceedings with respect to an Affiliate in which the Affiliate may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts, if such adjudication will adversely affect the completion of the development of the Property, or would materially adversely affect the financial condition of the Landowner (or an Affiliate if the Affiliate owns Property), or their respective ability to pay Special Taxes levied on the Property prior to delinquency; and

7. The filing of any lawsuit against the Landowner or any of its Affiliates (for which Landowner has notice, such as through receipt of service of process) which, if successful, in the reasonable judgment of the Landowner, will adversely affect the completion of the development of the Property, or a final judgment in a lawsuit against the Landowner or if known, any of its Affiliates, which in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner (or an Affiliate if the Affiliate owns Property) and their respective ability to pay Special Taxes levied on the Property prior to delinquency.

(b) Whenever the Landowner obtains knowledge of the occurrence of a Listed Event, the Landowner shall as soon as possible determine if such event would be material under applicable federal securities laws. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly (i) file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the City or (ii) file a notice of such occurrence with the Repository, with a copy to the Dissemination Agent and the City.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Certificate shall terminate upon the earlier to occur of the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or
- (b) at any time that the Landowner and its Affiliates own property in Improvement Area No. 1 that is responsible for less than 20% of the special tax levy in Improvement Area No. 1.

If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for a Listed Event.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Landowner pursuant to this Disclosure Certificate. Any Dissemination Agent appointed by the Landowner may resign by providing (i) thirty days written notice to the Landowner and the Dissemination Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Landowner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or a change in law;
- (b) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Indenture with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and
- (c) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the City.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Landowner shall describe such amendment in the next Annual Report or Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Landowner 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, Semiannual Report, or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Landowner chooses to include any information in any Annual Report, Semiannual Report, or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Landowner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report, Semiannual Report, or notice of occurrence of a Listed Event.

The Landowner acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Landowner, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Landowner under such laws.

SECTION 10. Default. In the event of a failure of the Landowner or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the Underwriter or any owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. Notwithstanding the foregoing sentence, the sole remedy under this Disclosure Certificate in the event of any failure of the Landowner or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Underwriter, owners of the Bonds or Beneficial Owners or any other party. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent may conclusively rely upon the Annual Report or Semiannual Report provided to it by the Landowner as constituting the Annual Report or Semiannual Report required of the Landowner in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report or Semiannual Report. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent shall have no duty to prepare the Annual Report or Semiannual Report nor shall the Dissemination Agent be responsible for filing any Annual Report or Semiannual Report not provided to it by the Landowner in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Notices. Any notice or communications to be provided under this Disclosure Certificate may be given as follows:

To the City/Issuer:

City of Folsom
City Hall
50 Natoma Street
Folsom, California 95630
Attention: Finance Director

To the Participating Underwriter: Hilltop Securities Inc.
2533 South Coast Hwy, Suite 250
Cardiff, California 92007
Attention: Mike Cavanaugh
Email: Mike.Cavanaugh@HilltopSecurities.com
Phone: (760) 632-6824

To the Property Owner: Woodside 05N, LP
111 Woodmere Road, Suite 190
Folsom, California 95630
Attention: Scott Hoisington
Email: scotth@woodsidehomes.com
Phone: (916) 608-9600

With a Copy To: Woodside Group, LLC
460 West 50 North, Suite 205
Salt Lake City, Utah 84101
Attention: Legal Department
Email: legalnotices@woodsidehomes.com
Phone: (801) 869-3950

provided, however, that all such notices, requests or communication may be made by telephone and promptly confirmed by writing. Any person may, by notice given as aforesaid to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 12. Landowner as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Landowner is an independent contractor and not an agent of the City.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Landowner, the City, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. California Law. The validity, interpretation and performance of this Disclosure Certificate shall be governed by the laws of the State of California.

WOODSIDE 05N, L.P., a California limited partnership

By: WDS GP, Inc., a California Corporation
Its: General Partner

By: _____
Scott Hoisington, Vice President

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the City which the City believes to be reliable, but the City and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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

DTC 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, 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 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 City 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Holder shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

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

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.



FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272