

- (2) Bond Reserve Fund;
- (3) Expense Account; and
- (4) Services Account.

(a) Redemption Account. On or before March 1 and September 1 in each year, beginning on [September 1], 20[\_\_\_], the Trustee shall, from the money in the Special Tax Fund, transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be, and on or before September 1 in each year, beginning on September 1, 20[\_\_\_], the Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 plus all Minimum Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Subaccount; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that money in the Special Tax Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Special Tax Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Minimum Sinking Fund Account Payments bear to each other.

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

All money in the Redemption Account shall be used and withdrawn by the Trustee to pay the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to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

(b) Bond Reserve Fund. On or before March 1 and September 1 in each year, beginning on September 1, 20[\_\_\_], the Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in each Bond Reserve Account within the Bond Reserve Fund such amount of money as shall be required to restore each such Bond Reserve Account to a sum equal to the Required Bond Reserve for the applicable series of Bonds, *pro rata*, to the extent that amounts are available in the Special Tax Fund for such purpose; and for this purpose all investments in each Bond Reserve Account shall (beginning on September 1, 20[\_\_\_]) be valued on March 1 and September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the Holder at

his or her option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments plus the amortization of any premium or minus the amortization of any discount, or (ii) the market value of such investments. For purposes of allocating remaining money in the Special Tax Fund between more than one Bond Reserve Account, any such transfers to and deposits in each Bond Reserve Account shall be made equally and ratably in proportion to the Required Bond Reserve for each series of Bonds.

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

All money in each Bond Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the corresponding series of Bonds in the event there is insufficient money in the Redemption Account available for this purpose; provided, that if as a result of any of the foregoing valuations or as a result of any property owner prepayment it is determined that the amount of money in a Bond Reserve Account exceeds or will exceed the Required Bond Reserve for the applicable series of Bonds, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Redemption Account as provided in the last paragraph of Section 10.05. For the avoidance of doubt, amounts in a Bond Reserve Account are not available to make up a deficiency for the payment of principal and interest on any Bonds other than the specific series of Bonds to which the Bond Reserve Account relates.

(c) Expense Account. On or before March 1 and September 1 in each year, beginning on September 1, 20[\_\_\_], the Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Account a sum equal to the amount required by the Community Facilities District (as specified in a Written Request of the Community Facilities District filed with the Trustee) for the payment of budgeted Expenses during the six-month period beginning on such date, or to reimburse the City or the Community Facilities District for the payment of unbudgeted Expenses during the prior six-month period. All money in the Expense Account shall be used and withdrawn by the Trustee only for transfer to or for the account of the Community Facilities District (as specified in a Written Request of the Community Facilities District filed with the Trustee) to pay budgeted Expenses as herein provided, or to reimburse the Community Facilities District for the payment of unbudgeted Expenses as herein provided, 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.

(d) Services Account. On or before March 1 and September 1 in each year, beginning on September 1, 20[\_\_\_], the Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Services Account a sum equal to the Services Special Tax (as specified in a Written Request of the Community Facilities District filed with the Trustee). All money in the Services Account shall be used and withdrawn by the Trustee only for transfer to or for the account of the Community Facilities District (as specified in a Written Request of the Community Facilities District filed with the Trustee) to pay budgeted Services as herein provided, or to reimburse the Community

Facilities District for the payment of unbudgeted Services as herein provided, 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.

## ARTICLE V

### COVENANTS OF THE COMMUNITY FACILITIES DISTRICT

Section 5.01. Punctual Payment and Performance. The Community Facilities District will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued hereunder in strict conformity with the terms of the Law and hereof and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein and in the Bonds required to be observed and performed by it.

Section 5.02. Against Indebtedness and Encumbrances. The Community Facilities District will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided herein, 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 herein; provided, that the Community Facilities District 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 herein.

Section 5.03. Against Federal Income Taxation.

(a) If the Community Facilities District has obtained an opinion of Bond Counsel that interest on the Bonds is excluded from gross income for federal income tax purposes, the Community Facilities District 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 Community Facilities District will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the Community Facilities District 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 Community Facilities District, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections 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; provided, that if the Community Facilities District 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 Community Facilities District may rely

conclusively on such opinion in complying with the provisions hereof. In the event that at any time the Community Facilities District 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 Finance Director, for and on behalf of the Community Facilities District, hereunder or otherwise the Community Facilities District shall so instruct the Finance Director in writing, and the Finance Director shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the Community Facilities District 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 hereby established in the treasury of the City, for and on behalf of the Community Facilities District, a fund to be known as the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds Rebate Fund to be held in trust and administered by the Finance Director for and on behalf of the Community Facilities District. The Community Facilities District will comply with the provisions of the 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 herein and in the Tax Certificate and no other person shall have claim to such money except as provided in the Tax Certificate.

Section 5.04. Payment of Claims. The Community Facilities District 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 Community Facilities District 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.

Section 5.05. Expense Budgets. The City Council, as legislative body of the Community Facilities District, will, on or before July 1 in each year, adopt a budget setting forth the costs of the estimated Expenses for the period from such July 1 through the next succeeding June 30; provided, that any budget adopted in accordance with this Section may be amended by the City Council at any time.

Section 5.06. Accounting Records; Financial Statements and Other Reports.

(a) The Community Facilities District will keep, or in the case of transactions made by the Trustee it will cause the Trustee to keep, appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Special Tax and of the proceeds of the Bonds, which accounting records shall at all times during business hours with reasonable prior written notice be subject to the inspection of any Holder (or his or her representative authorized in writing). The Trustee shall furnish the Community Facilities District periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the

Community Facilities District. Upon the Community Facilities District's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Community Facilities District waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Community Facilities District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon written request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(b) The Community Facilities District will prepare annually not more than two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2020) a summary report showing in reasonable detail the proceeds of the Special Tax levied and collected and the costs of the Expenses for the preceding Fiscal Year and containing a general statement of the physical condition of the Facilities. The Community Facilities District will furnish a copy of such summary report without charge to any Holder (or his or her representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting a copy thereof.

(c) The Community Facilities District will prepare annually not later than October 30 of each year (beginning in 2021) and file with the California Debt and Investment Advisory Commission by mail, postage prepaid, all necessary information required to be filed under the Law, including:

- (1) The principal amount of the Bonds Outstanding;
- (2) The balance in each Bond Reserve Account;
- (3) The balance in the Redemption Account constituting capitalized interest, if any;
- (4) The number of parcels securing the Bonds which are delinquent with respect to their Special Tax payments, the amount that each delinquent parcel is delinquent, the length of time that each delinquent parcel has been delinquent and when foreclosure was commenced for each delinquent parcel; and
- (5) The assessed value of all parcels subject to the levy of the Special Tax to repay the Bonds, as shown on the most equalized assessment roll of the County of Sacramento.

Additionally, the Community Facilities District will notify the California Debt and Investment Advisory Commission by mail, postage prepaid, within ten (10) days if the Community Facilities District or the Trustee fails to pay any interest on or principal of any of the Bonds on any scheduled payment date, or if funds are withdrawn from a Bond Reserve Account to pay any interest on or principal of a series of the Bonds.

Section 5.07. Protection of Security and Rights of Holders. The Community Facilities District 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.

Section 5.08. Payment of Governmental Charges and Compliance with Governmental Regulations. The Community Facilities District will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Facilities or any part thereof promptly as and when the same shall become due and payable, except that the Community Facilities District shall not be required to pay any such governmental charges so long as the application or validity thereof shall be contested in good faith and the Community Facilities District shall have set aside reserves to cover such charges. The Community Facilities District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Facilities or any part thereof, except that the Community Facilities District shall not be required to comply with any such regulations or requirements so long as the application or validity thereof shall be contested in good faith.

Section 5.09. Levy and Collection of the Special Tax. The Community Facilities District, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Property in the Improvement Area and make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Redemption Account, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained herein, and which in any event will be sufficient to pay the interest on and principal of and Minimum Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish each Bond Reserve Account and to pay all current Expenses as they become due and payable in accordance with the provisions and terms hereof. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes are collected and, except as otherwise provided in Section 5.10 or by the Law, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

Section 5.10. Foreclosure of Special Tax Liens. The Community Facilities District 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 Community Facilities District determines on the basis of such review that the amount so collected is deficient by more than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, it will within sixty (60) days thereafter institute foreclosure proceedings as authorized by the Law in order to enforce the lien of the delinquent installments of the Special Tax against each lot or parcel of land in the Improvement Area, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that irrespective of the foregoing if the Community Facilities District determines on the basis of such review that property owned by any single property owner in the Improvement Area is delinquent by more than four thousand dollars (\$4,000) with respect to the Special Tax due and payable by such property owner by such delinquency date, then the Community Facilities District will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against such property owner; 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; and provided further, that the Community Facilities District shall not be obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the Community Facilities District shall have received one hundred percent (100%) of the amount of such installment from the County of Sacramento pursuant to the so-called "Teeter Plan."

Section 5.11. Further Assurances. The Community Facilities District 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 hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein, 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 herein to the fullest extent possible under applicable law of the State of California.

## ARTICLE VI

### THE TRUSTEE

Section 6.01. The Trustee. MUFG Union Bank, N.A. at its Corporate Trust Office in San Francisco, California, is hereby appointed Trustee for the purpose of receiving all money which the Community Facilities District is required to transfer to it hereunder and for applying and using such money as provided herein for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds. The Community Facilities District agrees that it will at all times maintain a Trustee having a designated corporate trust office in Los Angeles or San Francisco, California.

The Trustee and the Community Facilities District shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Community Facilities District may remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank or trust company doing business and having a designated corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars (\$100,000,000) and subject to supervision or examination by a federal or state banking authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to

the Community Facilities District and by giving notice of such resignation by mail pursuant to Section 10.14 to the Holders, and upon receiving such notice of resignation, the Community Facilities District shall promptly appoint a successor Trustee by an instrument in writing having the qualifications required hereby. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed by the Community Facilities District and shall have accepted such appointment, the removed or resigning Trustee may petition, at the expense of the Community Facilities District, any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

Any company into which the Trustee shall be merged or converted or with which it may be consolidated or any company resulting from any merger, conversation or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, so long as such company shall meet the requirements set forth in this Section, shall be the successor to the Trustee and shall be vested with all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 6.02. Liability of the Trustee. The recitals of facts, agreements and covenants contained herein and in the Bonds shall be taken as statements, agreements and covenants of the Community Facilities District, and the Trustee shall not assume any responsibility for the correctness of the same and does not make any representation as to the sufficiency or validity hereof or of the Bonds or of the Special Tax, or as to the financial or technical feasibility of the acquisition and construction of any of the Facilities, and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations expressly assigned to or imposed upon it herein or in the Bonds, and shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and no provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any liability for the performance of its duties hereunder, or in the exercise of any of its rights or powers hereunder.

The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and the Trustee shall be entitled to advice of counsel of its selection concerning all matters of trust and its duties hereunder and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Trustee may execute any of the trusts or powers set forth herein and perform the duties required of it hereunder by or through attorneys, agents or attorneys, and the Trustee shall not be liable for the negligence or misconduct of any agent, attorney or certified public accountant selected by it with due care.



The Trustee shall, at all times, perform such duties and only such duties as are specifically set forth herein, and no implied duties or obligations shall be read herein against the Trustee. At no time shall the Trustee be a fiduciary or have fiduciary duties hereunder.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and such Holder's title thereto is certified to the Trustee in a written instrument, upon which the Trustee shall be entitled to conclusively rely.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds exercising any trust or power conferred upon the Trustee hereunder.

The Trustee has no obligation to the Holders and shall incur no liability for the payment of the interest on, principal of or redemption premiums, if any, with respect to the Bonds from its own funds. The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall perform such duties and obligations as are specifically set forth in this Indenture and shall not be liable except for its negligence or willful misconduct, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a Responsible Officer at the Trustee's Corporate Trust Office responsible for the administration of the Trustee's duties and obligations hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its Corporate Trust Office. The Trustee shall not be bound to ascertain or to inquire as to the performance or observance of any of the agreements, conditions, covenants or terms herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder.

No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced to it hereunder at its prime rate plus two percent (2%), but not greater than twelve percent (12%) per annum.

The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

All rights, privileges, immunities, indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, employees, officers and agents thereof.

In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 6.03. Compensation and Indemnification of the Trustee. The Community Facilities District agrees to pay to the Trustee from time to time, and the Trustee shall receive compensation for all services rendered by it in the exercise and performance of any of the duties and obligations of the Trustee hereunder, as mutually and previously agreed upon in writing, and the Community Facilities District will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee and its affiliates, directors, employees or agents in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or willful misconduct. The Community Facilities District, to the extent permitted by law, agrees to indemnify, defend and hold harmless the Trustee against any and all loss, damages, claims, liability or expense incurred without negligence or willful misconduct on the part of the Trustee arising out of or in connection with (i) the exercise or performance of any of its duties or obligations hereunder, or (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any of the Bonds, including costs and expenses (including attorneys' fees and expenses) of defending itself against any claim or liability in connection with the exercise or performance of any of its duties and obligations hereunder. The rights of the Trustee and the obligations of the Community Facilities District under this Section shall survive the discharge of the Bonds and the resignation or removal of the Trustee.

Section 6.04. Notice to the Trustee. The Trustee shall be protected in acting upon any Bond, certificate, consent, notice, opinion, report, request, resolution or other document or paper believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel of its selection, including, without limitation, counsel to the Community Facilities District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered hereunder in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Trustee, be deemed to be conclusively established or proved by a Certificate of the Community Facilities District or an Accountant's Report, which shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, and on which the Trustee may conclusively rely, but in its reasonable judgment the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

## ARTICLE VII

### AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

Section 7.01. Procedure for Amendment of or Supplement to the Indenture.

(a) Amendment or Supplement With Consent of Holders. The Indenture and the rights and obligations of the Community Facilities District and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Community Facilities District and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of sixty percent (60%) or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02, 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 Community Facilities District to pay the interest on or principal of or Minimum Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the Holder of such Bond, or (2) permit the issuance by the Community Facilities District of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided herein, or jeopardize the ability of the Community Facilities District 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.

(b) Amendment or Supplement Without Consent of Holders. The Indenture and the rights and obligations of the Community Facilities District and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Community Facilities District and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and after receiving an Opinion of Counsel, stating that the Supplemental Indenture is the valid and binding obligation of the Community Facilities District, and only for any one or more of the following purposes:

(i) To add to the agreements and covenants required herein to be performed by the Community Facilities District other agreements and covenants thereafter to be performed by the Community Facilities District which shall not (in the opinion of the Community Facilities District) adversely affect the interests of the Holders, or to surrender any right or power reserved herein to or conferred herein upon the Community Facilities District which shall not (in the opinion of the Community Facilities District) 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 herein or in regard to questions arising hereunder which the Community Facilities District may deem desirable or necessary and not inconsistent herewith and which shall not (in the opinion of the Community Facilities District) adversely affect the interests of the Holders;

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

(iv) To authorize the issuance under and subject to the Law of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued;

(v) To make such additions, deletions or modifications as may be necessary or appropriate to ensure 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 ensure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State of California personal income taxes; or

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

Section 7.02. Disqualified Bonds. Bonds owned or held for the account of the Community Facilities District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this Article or in Article VIII, and shall not be entitled to consent to or take any other action provided for in this Article or in Article VIII.

Section 7.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Community Facilities District 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 or her Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Community Facilities District shall so determine, new Bonds so modified as, in the opinion of the Community Facilities District, 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 Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

Section 7.04. Amendment or Supplement by Mutual Consent. The provisions of this Article shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him or her; provided, that due notation thereof is made on such Bonds.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

Section 8.01. Events of Default and Remedies of Holders. If one or more of the following events (herein “Events of Default”) shall happen, that is to say:

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

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

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

(d) if the Community Facilities District 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 Community Facilities District 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 Community Facilities District or of the whole or any substantial part of its property;

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

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

(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 Community Facilities District or its officers and employees to account as the trustee of an express trust.

Section 8.02. Non-Waiver. Nothing in this Article or in any other provision herein or in the Bonds shall affect or impair the obligation of the Community Facilities District, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon redemption prior to maturity as provided herein from the proceeds of the Special Tax and the other funds as provided herein, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any Event of Default or breach of duty or contract by any Holder shall not affect any subsequent Event of Default or breach of duty or contract and shall not impair any rights or remedies on any such subsequent Event of Default or breach of duty or contract. No delay or omission by any Holder to exercise any right or remedy accruing upon any Event of Default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or breach of duty or contract or an acquiescence therein, and every right and remedy conferred upon the Holders by the Law or hereby may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders.

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

Section 8.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

## ARTICLE IX

### DEFEASANCE

#### Section 9.01. Discharge of the Bonds.

(a) If the Community Facilities District 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 herein, then all agreements, covenants and other obligations of the Community Facilities District to the Holders of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Community Facilities District 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 Community Facilities District for deposit in the Community Facilities Fund all money or securities held by it pursuant hereto 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 subsection (a) of this Section if there shall have been irrevocably deposited 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 subsection (a) of this Section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Community Facilities District shall have agreed to mail a notice of redemption pursuant to Section 10.14 to the respective Holders of all such Outstanding Bonds and to the securities depositories or securities information services selected by it pursuant to Section 3.03, (2) there shall have been filed with the Community Facilities District and the Trustee an Opinion of Counsel to the effect that the payment of such Bonds has been provided for in the manner set forth herein and that all obligations of the Community Facilities District with respect to such Bonds have been discharged and satisfied and there shall have been deposited with an escrow agent meeting the requirements of a successor trustee set forth in Section 6.01 or the Trustee either (i) money in an amount which shall be sufficient to pay when due the interest on and principal of and redemption premiums, if any, due and to become due on such Bonds on and prior to the date scheduled for redemption or maturity date thereof, as the case may be and/or (ii) 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 meeting the requirements of a successor trustee set forth in Section 6.01 or the Trustee at the same time, shall be sufficient to pay when due the interest on and principal of and redemption premiums, if any, due and to become due on such Bonds on and prior to the date scheduled for redemption or maturity date thereof, as the case may be, as evidenced by an Accountant's Report on file with the Community Facilities District and the Trustee, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Community Facilities District shall have agreed to mail pursuant to Section 10.14 a notice to the Holders of such Bonds and to the securities depositories and securities information services selected by it pursuant to Section 3.03 that the deposit required by clause (2) above has been made with such escrow agent meeting the requirements of a successor trustee set forth in Section 6.01 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.

Section 9.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or any interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the

date when such Bonds or interest thereon became due and payable, shall be repaid by the Trustee to the Community Facilities District as its absolute property free from trust for deposit in the Community Facilities Fund and for use in accordance with the Law, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the Community Facilities District for the payment of such Bonds and interest thereon; provided, that before the Trustee shall be required to make any such repayment the Community Facilities District shall mail pursuant to Section 10.14 a notice to the Holders of all Outstanding Bonds and to such securities depositories and securities information services selected by it pursuant to Section 3.03 that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Community Facilities District for deposit in the Community Facilities Fund.

## ARTICLE X

### MISCELLANEOUS

Section 10.01. Liability of Community Facilities District Limited to Proceeds of the Special Tax and Certain Other Funds. Notwithstanding anything contained herein, the Community Facilities District shall not be required to advance any money derived from any source of income other than the proceeds of the Special Tax net of Priority Administrative Expenses and the other funds provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

The Bonds are special tax obligations of the Community Facilities District and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax (including any prepayments thereof and proceeds from the sale of property collected pursuant to the foreclosure provisions of the Indenture for the delinquency of the Special Tax), net of Priority Administrative Expenses, and amounts in certain funds and accounts established in the Indenture, and the Community Facilities District is not obligated to pay the Bonds except from such funds. The General Fund of the City and the funds of the Community Facilities District are not liable, and neither the full faith and credit of the Community Facilities District nor the City are pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the Community Facilities District or any of its income or receipts except the proceeds of the Special Tax (including any prepayments thereof and proceeds from the sale of property collected pursuant to the foreclosure provisions of the Indenture for the delinquency of the Special Tax), net of Priority Administrative Expenses, and amounts in certain funds and accounts established in the Indenture, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the Community Facilities District. The Bonds do not constitute an indebtedness of the Community Facilities District within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council nor the Community Facilities District nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or



redemption premiums, if any, on the Bonds otherwise than from the proceeds of the Special Tax, net of Priority Administrative Expenses, and such other funds as provided in the Indenture.

Section 10.02. Benefits of the Indenture Limited to Certain Parties. Nothing contained herein, express or implied, is intended to give to any entity or person other than the City Council, the Community Facilities District, the Trustee, and the Holders any right, remedy or claim under or by reason hereof, and any agreement or covenant required herein to be performed by or on behalf of the City Council or the Community Facilities District or any officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

Section 10.03. Successor Is Deemed Included in All References to Predecessor. Whenever either the City Council or the Community Facilities District or any officer or employee thereof or of the City is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the administration, control and management of the Community Facilities District that are presently vested in the City Council or the Community Facilities District or such officer or employee, and all agreements and covenants required herein to be performed by or on behalf of the City Council or the Community Facilities District or any officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.04. Execution of Documents by Holders. Any declaration, request or other instrument which is permitted or required herein to be executed by Holders may be in one or more instruments of similar tenor, and may be executed by Holders in person or by their attorneys duly authorized in writing. The fact and date of the execution by any Holder or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of holding the same shall be provided by the registration books required to be kept by the Trustee pursuant to Section 2.09.

Any declaration, request or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done by the Community Facilities District in good faith and in accordance therewith.

Section 10.05. Deposit and Investment of Money in Accounts and Funds. All money held by the Trustee in any accounts and funds established herein shall be deposited in time or demand deposits in any state or nationally chartered bank or trust company, including the Trustee, or any state or federal savings and loan association, and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law, except such money that is at the time invested in accordance with this Section. Any money in the Acquisition and Construction Fund and in the Special Tax Fund and in the Redemption Account and in the Expense Account and in the Services Account shall be invested by the Trustee pursuant to a Written Request of the Community Facilities District received by the Trustee at least three (3) days before making any such investment in those Permitted Investments specified in such Written Request of the

Community Facilities District that mature not later than the date on which it is estimated that such money will be required to be paid out hereunder, and any money in a Bond Reserve Account shall be invested by the Trustee pursuant to a Written Request of the Community Facilities District received by the Trustee at least three (3) days before making any such investment in those Permitted Investments specified in such Written Request of the Community Facilities District that mature not more than five (5) years from the date of purchase by the Trustee, or the final maturity date of any Outstanding Bonds, whichever is earlier; and the Trustee may conclusively rely and determine that any investment specified in any such Written Request of the Community Facilities District is a Permitted Investment or a Federal Security, as the case may be, hereunder; provided, that in the absence of written instructions from the Community Facilities District regarding such investments, such money shall be held uninvested. The Trustee (or any affiliate thereof) may act as principal or agent in the making of any investment hereunder and may impose its customary charges therefor, and shall not be responsible for any losses, taxes, fees or other charge suffered in connection with any investment, reinvestment or liquidation of investments made in accordance herewith. Notwithstanding anything in the Indenture to the contrary, for purposes of any time limitation on the maturity of an investment of moneys in the funds and accounts held thereunder, such investment shall be deemed to satisfy such time limitation if, by its terms and within such time limitation, the Community Facilities District or the Trustee has the right, for any purpose permitted or required under the Indenture, to demand the repurchase, redemption, withdrawal or termination of such investment and to receive at least the outstanding par amount thereof plus accrued interest, without penalty.

All interest received on any such money so deposited or invested which exceeds the requirements of the account or fund from which such money was deposited or invested shall (as specified in a Written Request of the Community Facilities District filed with the Trustee) (subject to the requirements of Section 5.03) be deposited in the Redemption Account, and all losses on any such money so deposited or invested shall be borne by the account or fund from which the deposit or investment was made.

Section 10.06. Waiver of Personal Liability. No member of the City Council or officer or employee of the City, acting for and on behalf of the Community Facilities District, 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 herein contained shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided hereby or by the Law or by any other applicable provisions of law.

Section 10.07. Acquisition of Bonds by Community Facilities District. All Bonds acquired by the Community Facilities District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation and destruction by it, and the Trustee shall send the Community Facilities District a certificate of such destruction.

Section 10.08. Content of Certificates and Reports. Every certificate or report with respect to compliance with an agreement, condition, covenant or term provided herein shall include (a) a statement that the person or persons making or giving such certificate or report have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the opinion contained in such certificate or report is based; (c) a statement that, in the opinion of the signers,

they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any such certificate made or given by an officer of the City, for and on behalf of the Community Facilities District, may be based, insofar as it relates to legal matters, upon a representation made in an Opinion of Counsel unless such officer knows that the representation with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Community Facilities District, upon a representation by an officer or officers of the City unless the counsel giving such Opinion of Counsel knows that the representation with respect to the matters upon which his representation may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 10.09. Maintenance of Accounts and Funds. Any account or fund required herein to be established and maintained by the Trustee may be maintained by the Trustee in its accounting records in its customary manner either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any financial reports or statements with respect thereto, be treated either as an account or as a fund; but all such accounting records with respect to all such accounts and funds shall at all times be maintained by the Trustee in accordance with trust industry standards.

Section 10.10. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the construction, effect or meaning hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding articles, sections or subdivisions hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular article, section or subdivision hereof.

Section 10.11. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms or portions thereof required hereby to be observed or performed by the Community Facilities District or the Trustee should be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants or terms or portions thereof and shall in no way affect the validity hereof or of the Bonds; and the Holders shall retain all the rights and benefits accorded to them under the Law or any other applicable provisions of law. The Community Facilities District hereby declares that it would have executed the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.12. Execution in Counterparts and Electronic Execution. The Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. The exchange of copies of the Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of the Indenture as to the parties hereto and may be used in lieu of the original Indenture and signature pages for all purposes. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Indenture are intended to authenticate this writing and to have the same force and effect as manual signatures. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

Section 10.13. Governing Law. The Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 10.14. Notices. All written notices to be given hereunder shall be given by mail or electronic means to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Community Facilities District:

Community Facilities District No. 23  
(Folsom Ranch)  
City of Folsom, City Hall  
50 Natoma Street  
Folsom, California 95630  
Attention: Finance Director  
Fax: 916-985-0870  
Email: [financetreasury@folsom.ca.us](mailto:financetreasury@folsom.ca.us)

If to the Trustee:

MUFG Union Bank, N.A.  
445 South Figueroa Street, 20th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust  
Fax: 415-273-2492  
Email: [LACT@unionbank.com](mailto:LACT@unionbank.com)

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, upon the sender's receipt of an appropriate answer back or other written acknowledgment or confirmation of receipt of the entire notice, approval, demand, report or other communication, (c) if given by first class mail deposited with the United States mail postage prepaid, seventy-two (72) hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier

charges prepaid, twenty-four (24) hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Indenture and delivered using Electronic Means (“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Community Facilities District shall provide to the Trustee an incumbency certificate listing officers with the Community Facilities District to provide such Instructions and containing specimen signatures of such officers, which incumbency certificate shall be amended by the Community Facilities District whenever a person is to be added or deleted from the listing. If the Community Facilities District elects to give the Trustee Instructions using Electronic Means and the Trustee in its reasonable judgment elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Community Facilities District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall be entitled to conclusively presume without liability that directions that purport to have been sent by an officer listed on the incumbency certificate provided to the Trustee have been sent by such officer. The Community Facilities District shall be responsible for ensuring that only officers transmit such Instructions to the Trustee and that the Community Facilities District and all officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Community Facilities District. The Trustee shall not be liable for any losses, costs claims, or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The Community Facilities District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Community Facilities District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee in writing immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 10.15. U.S.A. Patriot Act. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

Section 10.16. Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, pandemics, epidemics, quarantine restrictions, recognized public emergencies, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 10.17. Effective Date of the Indenture. The Indenture shall take effect from and after its execution and delivery.

IN WITNESS WHEREOF, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) has caused the Indenture to be signed in its name by the Finance Director of the City of Folsom and MUFG Union Bank, N.A., as Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the date and year first above written.

CITY OF FOLSOM COMMUNITY FACILITIES  
DISTRICT NO. 23 (FOLSOM RANCH)

By \_\_\_\_\_  
Finance Director of the City of Folsom

MUFG UNION BANK, N.A.,  
as Trustee

By \_\_\_\_\_  
Authorized Officer

EXHIBIT A  
[FORM OF BONDS]

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

COUNTY OF SACRAMENTO

CITY OF FOLSOM  
COMMUNITY FACILITIES DISTRICT NO. 23  
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1  
SPECIAL TAX BOND, SERIES 2020

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Bond Date</u>
_____ %	September 1, _____	November [__], 2020

REGISTERED OWNER: MUFG UNION BANK, N.A., AS TRUSTEE FOR THE FOLSOM RANCH FINANCING AUTHORITY

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The City of Folsom Community Facilities District No. 23 (Folsom Ranch), organized and existing under and pursuant to the laws of the State of California (the "Community Facilities District"), for value received hereby promises to pay (but only out of the proceeds of the Special Tax hereinafter referred to, net of Priority Administrative Expenses (as defined in the Indenture hereinafter referred to), and certain other funds as described herein) to the registered owner set forth above on the maturity date set forth above (subject to any right of prior redemption hereinafter provided for) the principal amount set forth above, together with interest thereon computed on the basis of a 360-day year of twelve (12) 30-day calendar months from the interest payment date next preceding the date of registration of this Bond (unless this Bond is registered on a day during the period from the sixteenth (16<sup>th</sup>) day of the month next preceding an interest payment date to such interest payment date, both inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is registered on a day on or before the fifteenth (15<sup>th</sup>) day of the month next preceding the first interest payment date, in which event it shall bear interest from its dated date) until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable on March 1, 2021, and semiannually thereafter on September 1 and March 1 in each year. The interest on and principal of and redemption premium,



if any, on this Bond are payable in lawful money of the United States of America at the Corporate Trust Office (as that term is defined in the Indenture hereinafter referred to, and herein the "Corporate Trust Office") of MUFG Union Bank, N.A., or any other bank or trust company at its Corporate Trust Office, which may at any time be substituted in its place as provided in the Indenture hereinafter described, the Trustee of the Community Facilities District for the Bonds (the "Trustee"). The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the registered owner hereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail on each such interest payment date to such registered owner at his address as it appears on such books, except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds then Outstanding, payment shall be made at such owner's option by wire transfer on each such interest payment date of immediately available funds 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 continental United States of America according to written instructions provided by such owner to the Trustee at least fifteen (15) days before such interest payment date. The principal of and redemption premium, if any, on this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal and redemption premium, if any, to be paid only on the surrender of this Bond at the Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

Notwithstanding the foregoing, the Trustee may agree with the Holder of this Bond that such Holder may, in lieu of surrendering the same for a new Bond, endorse on this Bond a record of partial payment of the principal of this Bond as follows:

**PAYMENTS ON ACCOUNT OF PRINCIPAL**

Payment Date	Principal Amount Paid	Balance of Principal Amount Unpaid	Signature of Holder
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

This Bond is one of a duly authorized issue of Bonds in the aggregate principal amount of [PAR IN WORDS] dollars (\$[PAR]) issued by the Community Facilities District located in the City of Folsom (the "City"), designated the "City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2020" (the "Bonds"), which Bonds are issued under and pursuant to 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 (the "Law") and under and pursuant to the provisions of an Indenture dated as of November 1, 2020 (the "Indenture") between

the Community Facilities District and MUFG Union Bank, N.A., as trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions), and all capitalized terms used herein not otherwise defined shall have the meanings contained in the Indenture. All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture (copies of which are on file at the office of the City Clerk of the City and at the Corporate Trust Office of the Trustee), and reference is hereby made to the Law and to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued and for the rights of the registered owners of the Bonds; and all the terms of the Law and the Indenture are hereby incorporated herein and constitute a contract between the Community Facilities District and the registered owner from time to time of this Bond, to all the provisions of which the registered owner of this Bond, by his or her acceptance hereof, agrees and consents; and each taker and subsequent registered owner hereof shall have recourse to all the provisions of the Law and the Indenture and shall be bound by all the terms and conditions thereof.

The Bonds are issued to provide funds to pay costs of the acquisition and construction of the Facilities. The Bonds are special tax obligations of the Community Facilities District and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax, net of Priority Administrative Expenses, and certain other funds, as provided in the Indenture, and the Community Facilities District is not obligated to pay them except from the proceeds of the Special Tax, net of Priority Administrative Expenses, and such other funds. The General Fund of the City and the funds of the Community Facilities District are not liable and neither the full faith and credit of the Community Facilities District nor the City are pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the Community Facilities District or any of its income or receipts except the proceeds of the Special Tax, net of Priority Administrative Expenses, and such other funds, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the Community Facilities District.

The Bonds maturing on September 1, 20[\_\_\_], are subject to mandatory redemption by the Community Facilities District prior to their maturity date in part on September 1 in each of the years 20[\_\_\_] through 20[\_\_\_], both years inclusive; and the Bonds maturing on September 1, 20[\_\_\_], are subject to mandatory redemption by the Community Facilities District prior to their maturity date in part on September 1 in each of the years 20[\_\_\_] through 20[\_\_\_], both years inclusive, in each case solely from Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount, upon mailed notice as hereinafter provided, at a redemption price of one hundred percent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date of redemption.

The Bonds are subject to optional redemption by the Community Facilities District prior to their respective maturity dates as a whole or in part on any date on or after [September 1], 20[\_\_\_], from funds derived by the Community Facilities District from any source other than such Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount or such prepayments of the Special Tax, upon mailed notice as hereinafter provided, at the following

redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption, to wit:

[103]% if redeemed on any date on or after [September 1], 20[ ] through [August 31], 20[ ];

[102]% if redeemed on any date from [September 1], 20[ ] through [August 31], 20[ ];

[101]% if redeemed on any date from [September 1], 20[ ] through [August 31], 20[ ]; and

[100]% if redeemed on [September 1], 20[ ] and any date thereafter.

The Bonds are subject to extraordinary redemption by the Community Facilities District prior to their respective maturity dates, as a whole or in part on any interest payment date on and after [March 1], 20[ ], from funds derived by the Community Facilities District from prepayments of the Special Tax, upon mailed notice as hereinafter provided, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption, to wit:

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

[102]% if redeemed on an interest payment date on [September 1], 20[ ] or [March 1], 20[ ];

[101]% if redeemed on an interest payment date on [September 1], 20[ ] or [March 1], 20[ ]; and

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

If less than all the Bonds are to be redeemed as a result of prepayments of the Special Tax at any one time, the Bonds shall be redeemed pro rata by maturity. If less than all the Bonds are to be redeemed at the option of the Community Facilities District at any one time, the Bonds of the latest maturity date or dates shall be redeemed prior to or simultaneously with the redemption of the Bonds maturing prior thereto, and if less than all the Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in a manner that it deems appropriate and fair.

Notice of redemption of this Bond or any portion hereof shall be mailed by the Trustee to the registered owner hereof and to those securities depositories and securities information services selected by the Community Facilities District in accordance with the Indenture, but neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of such proceedings for redemption. If notice of

redemption has been duly given as aforesaid, then this Bond or the portion thereof to be redeemed shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Bond or the portion thereof to be redeemed shall cease to accrue and the registered owner of this Bond shall have no rights in respect hereof except to receive payment of the redemption price of this Bond or the portion thereof to be redeemed, and upon surrender of this Bond if redeemed in part only, the Community Facilities District shall execute and the Trustee shall authenticate and deliver to the registered owner hereof at the expense of the Community Facilities District a new Bond or Bonds equal in aggregate principal amount to the unredeemed portion of this Bond so surrendered.

The Community Facilities District has covenanted that, so long as any Bonds are Outstanding, it will annually levy against all Taxable Property in the Improvement Area and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Minimum Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish each Bond Reserve Account established under the Indenture and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture.

The Bonds are issuable in the form of fully registered bonds. The registered owner of any Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same series and maturity date in the manner, subject to the conditions and upon payment of the charges provided in the Indenture.

The registration of this Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his or her duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new Bond or Bonds of the same series and maturity date in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and terms and upon payment of the charges provided in the Indenture. The Community Facilities District and the Trustee shall be entitled to conclusively treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and redemption premium, if any, hereon and for all other purposes.

The rights and obligations of the Community Facilities District and of the registered owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture, and in certain circumstances without the consent of such registered owners, but no such amendment shall (1) extend the maturity of this Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the Community Facilities District to pay the interest hereon or principal hereof or Minimum Sinking Fund Account Payment herefor or redemption premium, if any, hereon at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the registered owner of this Bond, or (2) permit the issuance by the Community Facilities District of any obligations payable

from the proceeds of the Special Tax other than as provided in the Indenture, or jeopardize the ability of the Community Facilities District to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to an amendment of the Indenture, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Indenture.

The Bonds do not constitute an indebtedness of the Community Facilities District within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council of the City nor the Community Facilities District nor any officer or employee thereof or of the City shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds otherwise than from the proceeds of the Special Tax, net of Priority Administrative Expenses, and such other funds, as provided in the Indenture.

This Bond shall not be entitled to any benefits under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually signed by an authorized signatory of the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other obligations of the Community Facilities District, does not exceed any limit prescribed by the laws of the State of California and is not in excess of the principal amount of the Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) 1 has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk of the City, and has caused this Bond to be dated November [ ], 2020.

CITY OF FOLSOM COMMUNITY FACILITIES  
DISTRICT NO. 23 (FOLSOM RANCH)

By \_\_\_\_\_  
Mayor of the City of Folsom

Countersigned:

\_\_\_\_\_  
City Clerk of the City of Folsom

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION  
TO APPEAR ON BONDS]

This is one of the Bonds described in the within-mentioned Indenture which has been authenticated on November [ ], 2020.

MUFG UNION BANK, N.A.,  
as Trustee

By \_\_\_\_\_  
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

\_\_\_\_\_

Dated: \_\_\_\_\_

SIGNATURE GUARANTEED BY:

\_\_\_\_\_

Note: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: \_\_\_\_\_

## ATTACHMENT 5



PRELIMINARY OFFICIAL STATEMENT DATED [\_\_\_\_\_] , 2020

NEW ISSUE-BOOK-ENTRY ONLY

NOT RATED

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 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."*

**\$12,925,000\***

**FOLSOM RANCH FINANCING AUTHORITY  
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23  
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1  
SPECIAL TAX REVENUE BONDS  
SERIES 2020**

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

The Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2020 (the "Bonds") are being issued by the Folsom Ranch Financing Authority (the "Authority") to provide funds to finance the purchase of limited obligation special tax bonds (the "Local Obligations"), issued by the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the "District"). The purchase price of the Local Obligations will be used to finance the acquisition and construction of certain public facilities, fund a debt service reserve fund, fund capitalized interest to September 1, 2021, and pay certain costs of issuance of the Local Obligations and Bonds.

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

The Bonds are special, limited obligations of the Authority. The Bonds are payable solely from and secured by the Trust Estate of the Authority pledged under the Trust Agreement, consisting primarily of payments received by the Authority from the District under the Local Obligations, which payments are secured by a lien of the Special Taxes (defined herein) levied upon property within Improvement Area No. 1 of the District (the "Improvement Area"), as more fully described herein. Payments under the Local Obligations are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due.

The Local Obligations Indenture (defined herein) for the Local Obligations establishes a debt service reserve fund (the "Local Obligations Reserve Fund") with a debt service reserve account therein for the Local Obligations (the "Local Obligations Reserve Account"). **Amounts available from the Local Obligations Reserve Account are not available to make up a deficiency for the payment of principal and interest on the Bonds.** See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Terms of the Local Obligations—Local Obligations Reserve Account."

The Bonds are being issued only as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and interest thereon is payable on March 1 and September 1 of each year, commencing March 1, 2021, by the Trustee to DTC. DTC will in turn remit principal or redemption price and interest to the DTC participants, which will in turn remit such principal or redemption price and interest to the Beneficial Owners of the Bonds, as described herein. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry only form in the principal amount of \$5,000 or integral multiple thereof. Purchasers of the Bonds will not receive instruments representing their interest in the Bonds purchased. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Bonds are subject to optional, extraordinary and mandatory redemption as described herein.\* See "THE BONDS—Redemption Provisions."

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

\* Preliminary, subject to change.

**The Bonds are not rated by any rating agency. Investment in the Bonds involves a substantial degree of risk that may not be appropriate for some investors. See "CERTAIN RISKS TO BONDHOLDERS" for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.**

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

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

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed on for the Authority and the District by the City Attorney. Certain legal matters will be passed upon for the Underwriter by Stradling, Yocca, Carlson & Rauth, a Professional Corporation. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about \_\_\_\_\_, 2020.

**Piper Sandler & Co.**

The date of this Official Statement is \_\_\_\_\_, 2020.

**\$12,925,000\***  
**FOLSOM RANCH FINANCING AUTHORITY**  
**CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23**  
**(FOLSOM RANCH) IMPROVEMENT AREA NO. 1**  
**SPECIAL TAX REVENUE BONDS**  
**SERIES 2020**

Maturity Schedule, Interest Rates, Prices or Yields and CUSIPs

Maturity (September 1)	Principal Amount	Interest Rate	Price	CUSIP No.† (344414)
	\$	%		

\$ \_\_\_\_\_ % Term Bond maturing September 1, 20\_\_ Price to Yield \_\_\_\_% (CUSIP No.† 344414 \_\_)  
 \$ \_\_\_\_\_ % Term Bond maturing September 1, 20\_\_ Price to Yield \_\_\_\_% (CUSIP No.† 344414 \_\_)

---

\* Preliminary, subject to change.

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

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

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

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

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

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

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

[Insert vicinity and state map of Folsom Plan Area]

**CITY OF FOLSOM  
COMMUNITY FACILITIES DISTRICT NO. 23  
(FOLSOM RANCH)**

**BOUNDARY MAP**

**CITY OF FOLSOM  
COMMUNITY FACILITIES DISTRICT NO. 23  
(FOLSOM RANCH)  
IMPROVEMENT AREA NO. 1**

**AUTHORITY GOVERNING BOARD/CITY COUNCIL**

Sarah Aquino, *Chair / Mayor*  
Ernie Sheldon, *Vice Chair / Vice Mayor*  
Kerri Howell, *Member / Councilmember*  
Mike Kozlowski, *Member / Councilmember*  
Andy Morin, *Member / Councilmember*

**AUTHORITY/CITY STAFF**

Elaine Andersen, *Executive Director / City Manager*  
Stacey Tamagni, *Treasurer / Finance Director*  
Steven Wang, Esq., *General Counsel / City Attorney*  
Christa Freemantle, *Secretary / City Clerk*

**SPECIAL SERVICES**

**BOND AND DISCLOSURE 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

**MARKET ABSORPTION ANALYST**

The Gregory Group



TABLE OF CONTENTS

	Page		Page
INTRODUCTION.....	1	General Description and	
General.....	1	Location.....	40
Authority for Issuance.....	1	Property Values.....	41
Purpose.....	1	Value-to-Lien Analysis.....	41
Security for the Bonds.....	2	Estimated Tax Burden on Single	
The Improvement Area.....	3	Family Home.....	43
Property Ownership and		Overlapping Debt.....	44
Development Status.....	3	Market Absorption Study.....	45
Property Values.....	5	PROPOSED PROPERTY	
Market Absorption Study.....	6	DEVELOPMENT.....	46
Bondholders Risks.....	6	Development Entitlements.....	46
Continuing Disclosure.....	6	Property Ownership.....	54
Summaries Not Definitive.....	6	Development Plan and Status of	
FOLSOM PLAN AREA.....	7	Development.....	57
General Folsom Plan Area Plan		Development Plans of Finance.....	61
of Finance.....	7	CERTAIN RISKS TO	
Public Facilities Financing Plan.....	8	BONDHOLDERS.....	67
PLAN OF FINANCE.....	10	Risks of Real Estate Secured	
Facilities to be Financed.....	10	Investments Generally.....	67
THE BONDS.....	10	Levy of the Special Tax.....	67
General.....	10	Collection of Special Tax.....	68
Description of the Bonds.....	10	Shapiro v. San Diego.....	69
Redemption Provisions.....	11	Concentration of Ownership.....	70
ESTIMATED SOURCES AND USES		Payment of the Special Tax is	
OF FUNDS.....	15	Not a Personal	
DEBT SERVICE SCHEDULE.....	16	Obligation of a Property	
SECURITY AND SOURCES OF		Owner.....	70
PAYMENT FOR THE BONDS.....	17	Potential Early Redemption of	
General.....	17	Bonds from Prepaid	
Flow of Funds.....	18	Special Taxes.....	70
Description of Local		Special Tax Delinquencies.....	71
Obligations.....	18	Teeter Plan Termination.....	71
Issuance of Local Obligations.....	19	Land Values.....	71
Payment of the Local		Appraisal Risks.....	71
Obligations.....	19	Zoning and Land Use Decisions.....	72
Local Obligations Flow of		Exempt Properties.....	72
Funds.....	20	Maximum Special Tax.....	73
Special Tax Authorization.....	22	Ballot Initiatives and Measures.....	73
Covenant for Foreclosure.....	23	Recent Changes to Federal	
No Required Advances from		Income Tax Law.....	73
Available Surplus		Disclosures to Future	
Funds.....	24	Purchasers.....	74
Terms of the Local Obligations.....	24	Parity Taxes and Special	
Special Tax Analysis.....	27	Assessments.....	74
Special Tax Calculation.....	35	Bankruptcy.....	75
The Teeter Plan.....	39	Geologic, Topographic and	
THE AUTHORITY.....	40	Climatic Conditions.....	75
THE CITY.....	40	COVID-19 AND IMPACT OF THE	
THE IMPROVEMENT AREA.....	40	NOVEL CORONAVIRUS.....	76

**TABLE OF CONTENTS**

(continued)

	Page		Page
POTENTIAL IMPACT OF GLOBAL		No Acceleration Provision.....	82
HEALTH CONCERNS .....	77	Loss of Tax Exemption.....	82
Failure to Develop.....	77	LEGAL MATTERS.....	82
Future Private Indebtedness .....	78	TAX MATTERS.....	83
No Independent Review of		NO LITIGATION.....	84
Valuation or Viability		NO RATING.....	85
of Completed Projects.....	79	MUNICIPAL ADVISOR .....	85
Endangered Species .....	79	UNDERWRITING .....	85
Hazardous Substances.....	79	CONTINUING DISCLOSURE.....	85
Naturally Occurring Asbestos .....	80	The District .....	85
Naturally Occurring Arsenic .....	81	ECIC, KB Home Sacramento	
FDIC/Federal Government		and Signature Homes.....	86
Interests in Properties.....	81	MISCELLANEOUS .....	87
APPENDIX A — RATE, METHOD OF APPORTIONMENT AND MANNER OF COLLECTION OF SPECIAL TAX			
APPENDIX B — ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF FOLSOM			
APPENDIX C — SUMMARY OF PRINCIPAL DOCUMENTS			
APPENDIX D — FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS			
APPENDIX E — PROPOSED FORM OF OPINION OF BOND COUNSEL			
APPENDIX F — DTC AND THE BOOK-ENTRY ONLY SYSTEM			
APPENDIX G — APPRAISAL			
APPENDIX H — MARKET ABSORPTION STUDY			

\$12,925,000\*  
**FOLSOM RANCH FINANCING AUTHORITY**  
**CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23**  
**(FOLSOM RANCH) IMPROVEMENT AREA NO. 1**  
**SPECIAL TAX REVENUE BONDS**  
**SERIES 2020**

**INTRODUCTION**

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

**General**

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Folsom Ranch Financing Authority (the “Authority”) of \$12,925,000\* aggregate principal amount of Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2020 (the “Bonds”).

**Authority for Issuance**

The Bonds will be issued pursuant to the provisions of the Trust Agreement (the “Trust Agreement”) among the Authority, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “District”), and MUFG Union Bank, N.A., as trustee (the “Trustee”), as authorized pursuant to a resolution of the Authority. The Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The Bonds will be issued as fully registered bonds in book-entry form, in denominations of \$5,000 each or any integral multiple thereof and will be dated the date of delivery thereof and bear interest at the rates set forth on the inside front cover page hereof. See “THE BONDS—Description of the Bonds.”

**Purpose**

The Bonds are being issued to finance the purchase of the limited obligation special tax bonds (the “Local Obligations”), issued by the District pursuant to an Indenture (the “Local Obligations Indenture”) between the District and MUFG Union Bank, N.A., as trustee (the “Local Obligations Trustee”). The purchase price of the Local Obligations will be used to finance the acquisition and construction of certain public facilities, fund a debt service reserve fund, fund capitalized interest to September 1, 2021, and pay certain costs of issuance of the Local Obligations and Bonds. See “PLAN OF FINANCE” and “THE IMPROVEMENT AREA.”

The Local Obligations are authorized pursuant to (i) the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, *et seq.* of the California Government Code (the “Mello-Roos Act”), (ii) a resolution of the City Council of the City of Folsom (the

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\* Preliminary, subject to change.

“City”) as legislative body of the District adopted on October 13, 2020, and (iii) the Local Obligations Indenture. The Local Obligations are payable from the special taxes authorized to be levied and collected annually upon taxable real property within Improvement Area No. 1 of the District (the “Improvement Area”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—General.”

### **Security for the Bonds**

The Bonds are special, limited obligations of the Authority, payable from and secured by the Trust Estate (as defined herein) received by the Authority consisting primarily of payments received from the District as debt service payments on the Local Obligations.

The Local Obligations will be issued with an annual scheduled debt service schedule that results in at least 100% annual debt service coverage from Special Tax revenues expected to be generated in Villages 4, 7, 8 and 10 net of Priority Administrative Expenses (each as defined below). Although the scheduled payments under the Local Obligations are sufficient, in the aggregate, to provide the Authority with moneys to pay the principal of, premium, if any, and interest on the Bonds when due (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS”), investment in the Bonds involves a substantial degree of risk that may not be appropriate for some investors. See “CERTAIN RISKS TO BONDHOLDERS” below.

The Local Obligations are secured by a pledge of special taxes received by the District (the “Special Tax” or the “Special Taxes,” as the context requires) (including any prepayment thereof and proceeds from foreclosure sales pursuant to the Local Obligations Indenture), net of Priority Administrative Expenses, and the Local Obligations Reserve Account established under the Local Obligations Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Special Taxes are included on the regular property tax bill sent to the record owners of taxable properties within the Improvement Area. The District has covenanted in the Local Obligations Indenture to commence judicial foreclosure proceedings against property with delinquent Special Taxes and to diligently pursue such proceedings to completion; provided, however, that the District is not obligated under the Local Obligations Indenture to commence such judicial foreclosure proceedings on any delinquent installment of the Special Tax for any Fiscal Year in which the District has received one hundred percent (100%) of the amount of such installment from the County of Sacramento (the “County”) pursuant to the Teeter Plan (described below). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Payment of the Local Obligations,” “—Special Tax Authorization,” “—Covenant for Foreclosure” and “—The Teeter Plan.”

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

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE DISTRICT, THE AUTHORITY, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE TRUST ESTATE, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY, THE DISTRICT OR THE CITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE, DERIVED PRIMARILY FROM DEBT SERVICE PAYMENTS ON THE LOCAL OBLIGATIONS FROM THE PAYMENT OF THE SPECIAL TAXES LEVIED WITHIN THE IMPROVEMENT AREA AS MORE FULLY DESCRIBED HEREIN.

## **The Improvement Area**

*General.* The Improvement Area is located in the southern portion of the City, east of East Bidwell Street, west of Placerville Road, north of Mangini Parkway and south of U.S. Highway 50 and consists of over 205 total gross acres, of which approximately 109 acres are expected to be subject to the Special Tax. Presently, the Improvement Area includes properties in varying stages of early development, including partially improved lots, unimproved lots and unimproved land, and a 10.67-acre parcel is in the process of seeking a rezoning to allow for the development of 265 multi-family high density units, which are expected to be constructed as apartments.

*Formation Proceedings.* The District was formed by the City pursuant to the Mello-Roos Act. The Mello-Roos 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 Mello-Roos 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 Mello-Roos Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Mello-Roos Act, the City Council undertook proceedings to form the District, designating six separate improvement areas therein, including the Improvement Area, and called an election to authorize the incurring of bonded indebtedness and authorize the levy of special taxes within the District. On May 26, 2020, elections were held within the District for each improvement area therein 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. In addition, the eligible voters in the Improvement Area authorized the issuance of bonds in an amount not to exceed \$76,000,000 for the Improvement Area. The Rate and Method of Apportionment for Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 (the “Rate and Method of Apportionment”) is included as APPENDIX A hereto and summarized herein under ‘SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Analysis.’

## **Property Ownership and Development Status**

The development planned within the Improvement Area is comprised of eight sequentially numbered “Villages” and three additional lots referred to as “Village 10,” “Lot C” and “Lot D.” Development within the Improvement Area is planned to ultimately include 441 single-family high density units, 222 multi-family low density units and 265 multi-family high density units (pending the successful completion of the plan amendment for and rezoning of Lot C, as discussed more below), for an aggregate total of 928 residential units. Both the single-family high density units and the multi-family low density units, representing 663 total residences, are expected to be developed as detached single-family homes. The 265 multi-family high density units are expected to be constructed as apartments. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—Tentative and Final Mapping” for a discussion of these zoning entitlements within the Improvement Area. At full development, the Improvement Area is also planned to include an elementary school, a police substation, a fire station, parks and trails.

Property within the Improvement Area is in the early stages of development and is anticipated to be initially completed in three main phases (referred to herein as “Phase 2A,” “Phase 2B” and “Phase 2C”). Phase 2A of development within the Improvement Area includes Villages 4, 7, 8 and 10 and Lots C and D and is entitled for a total of 560 units at the time of full build-out, comprised of 73 single-family high density units, 222 multi-family low density units and 265 multi-family high density units (pending

the successful completion of the plan amendment for and rezoning of Lot C, as discussed more below). Phase 2B of development includes Villages 1 and 2 and is entitled for a total of 162 single-family high density units at the time of full build-out. Phase 2C of development includes Villages 3, 5 and 6 and is entitled for a total of 206 single-family high density units at the time of full build-out. “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—Tentative and Final Mapping.”

As of October 1, 2020, the majority of the property within the Improvement Area was owned by East Carpenter Improvement Company, LLC (“ECIC”) (Villages 3, 5, 6 and 10 and Lots C and D) and Folsom Real Estate South, LLC (“Folsom Real Estate South”) (Villages 1 and 2). Both ECIC and Folsom Real Estate South are managed by the same three individuals, and ECIC has been engaged by Folsom Real Estate South to perform the initial development of Folsom Real Estate South’s properties in Villages 1 and 2. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership.” ECIC and Folsom Real Estate South have been marketing certain portions of their properties in the Improvement Area to merchant builders for further development, and ECIC has already sold and is in the process of selling portions of its property.

ECIC sold portions of its property in the Improvement Area to KB Home Sacramento, Inc. (“KB Home Sacramento”) and FR 68 Lots LLC (“FR 68 Lots”). KB Home Sacramento owns 109 lots within the Improvement Area, which represents Villages 4 and 8 of the Improvement Area. FR 68 Lots owns 68 lots, which represents Village 7 of the Improvement Area. FR 68 Lots is managed by Signature Homes, Inc., a California corporation, and is owned by three separate members, each of which is affiliated with a member of the executive team of Signature Homes, Inc. Due to their affiliation, FR 68 Lots and Signature Homes, Inc. are each referred to herein as “Signature Homes.” ECIC’s sale of the properties in Villages 4 and 8 to KB Home Sacramento and its sale of the properties in Village 7 to Signature Homes closed in September 2019 and February 2020, respectively, although KB Home Sacramento and Signature Homes each have a post-closing obligation to fund certain remaining development costs.

ECIC is currently in the process of selling certain of its properties in the Improvement Area to merchant builders. ECIC has entered into a purchase and sale agreement with Lennar Homes of California, Inc. (“Lennar”) for the sale of 118 lots, which represents Village 10. ECIC’s sale of the properties in Village 10 to Lennar will close upon ECIC’s delivery of the lots in finished condition, the final map being ready for City Council approval and Lennar executing a subdivision improvement agreement and posting bonds, all of which is expected to occur prior to or during December 2020. Additionally, ECIC has assumed a purchase and sale agreement with A.G. Spanos Company (“Spanos”) for the sale and delivery of a finished building pad and utilities for Lots C and D, the 10.67-acre multi-family site that is anticipated to include, at the time of full build-out, 265 apartments (pending the successful completion of the plan amendment for and rezoning of Lot C).

ECIC has made significant progress in its initial grading and improvement of the properties located within Phase 2A and currently anticipates completing this initial development by the end of 2020. Specifically, the initial grading and improvement of Village 7 is substantially complete, including paved streets, and Village 7 is currently available for model home permits to be issued. Villages 4 and 8 and 10 are under construction and scheduled to be paved in mid-October and November 2020, respectively. Lots C and D will be delivered as a finished building pad with all street frontages completed and utilities stubbed to the site. Lots C and D have been graded and the remaining frontage improvements will be completed in conjunction with the improvements for Villages 4 and 8 described above.

ECIC and Folsom Real Estate South expect to sell their remaining taxable properties in the Improvement Area, representing Phases 2B and 2C, to merchant builders. The occurrence and timing of these sales and the condition in which these properties will be delivered has not yet been determined and

is subject to change. Phase 2B is planned for development in 2021 and development for Phase 2C is expected to begin in 2022. See “PROPOSED PROPERTY DEVELOPMENT.”

To date, final maps have been approved and recorded for Villages 4, 7 and 8, and tentative maps have been approved for Villages 1, 2, 3, 5, 6 and 10. Final map approval for Village 10 is expected in November 2020, for Villages 1 and 2 in September 2021 and for Villages 3, 5 and 6 in July 2022. A Specific Plan Amendment, Planned Development and Design Review Permit has been submitted in connection with the proposed rezoning of Lot C to allow for the development of the 265 multi-family high density units on Lots C and D. The final environmental review and conditions of approval for this proposed change to Lot C are near completion, and it is expected that public hearings will be held for this project later in 2020. ECIC is not aware of any requirements for a final map to be approved for the 265 multi-family high density units on Lots C and D and is not aware of any plans by Spanos to propose a final map for these properties.

The following table summarizes the current landowners, the anticipated merchant builders, if known, the phase for development (2A, 2B or 2C), the status of the final maps and the number of units expected at full build-out.

<b>Property</b>	<b>Current Owner</b>	<b>Builder</b>	<b>Development Phase</b>	<b>Map Status</b>	<b>Total Units</b>
<b>Village 1</b>	Folsom Real Estate South	to be determined	2B	tentative small lot	88
<b>Village 2</b>	Folsom Real Estate South	to be determined	2B	tentative small lot	74
<b>Village 3</b>	ECIC	to be determined	2C	tentative small lot	53
<b>Village 4</b>	KB Home Sacramento	KB Home Sacramento	2A	final small lot	73
<b>Village 5</b>	ECIC	to be determined	2C	tentative small lot	83
<b>Village 6</b>	ECIC	to be determined	2C	tentative small lot	70
<b>Village 7</b>	FR 68 Lots	Signature Homes	2A	final small lot	68
<b>Village 8</b>	KB Home Sacramento	KB Home Sacramento	2A	final small lot	36
<b>Village 10</b>	ECIC <sup>(1)</sup>	Lennar	2A	tentative small lot	118
<b>Lots C and D</b>	ECIC <sup>(2)</sup>	Spanos	2A	no final map required	265 <sup>(2)</sup>

<sup>(1)</sup> Lennar has contracted to purchase the Village 10 properties, however the closing of the sale of these properties to Lennar remains subject to certain conditions. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Lennar Purchase and Sale Agreement.”

<sup>(2)</sup> Spanos has contracted to purchase the Lot C and Lot D properties, however the closing of the sale of these properties to Spanos is conditioned upon the successful completion of the plan amendment for and rezoning of Lot C. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—Tentative and Final Mapping.”

### Property Values

An appraisal of the property within the Improvement Area dated September 23, 2020 (the “Appraisal”) was prepared by Integra Realty Resources, Sacramento, California (the “Appraiser”). The purpose of the appraisal was to estimate the aggregate value of the fee simple interest, subject to the special tax and based upon a hypothetical condition, for all of the taxable property within the Improvement Area. Subject to the assumptions, hypothetical condition and limiting conditions contained in the Appraisal, the Appraiser estimated that the taxable property within the Improvement Area had an

estimated aggregate value of \$69,721,745 as of August 14, 2020. See “THE IMPROVEMENT AREA—Property Values.”

### **Market Absorption Study**

A market absorption study with respect to the development of the property within the Improvement Area dated August 2020 (the “Market Absorption Study”) was prepared by The Gregory Group, of Folsom, California (the “Absorption Analyst”). The Market Absorption Study estimated the probable absorption schedules for the residential units proposed to be developed in the Improvement Area. See “THE IMPROVEMENT AREA—Market Absorption Study.”

### **Bondholders Risks**

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

### **Continuing Disclosure**

The District will agree to provide certain annual financial information and operating data by not later than April 1 in each year, commencing April 1, 2021 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices will be filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access database (“EMMA”). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D—“FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12.

ECIC, KB Home Sacramento and Signature Homes will each covenant for the benefit of the Bondholders to provide certain information relating to it, its development plan and its financing plan no later than March 31 and September 30 in each year, commencing March 31, 2021 (collectively, the “Disclosure Reports”), and to provide notices of the occurrence of certain enumerated events. The Disclosure Reports and notices will be filed with EMMA. The specific nature of the information to be contained in the Disclosure Reports or the notices of enumerated events is set forth in APPENDIX D—“FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS.” The obligations of ECIC will terminate upon the occurrence of certain events set forth in ECIC’s Continuing Disclosure Certificate, including when the property within the Improvement Area owned by ECIC is developed to the planned development stage or until the obligation to provide such information and notices is otherwise terminated in accordance with the provisions of its Continuing Disclosure Certificate. The obligations of KB Home Sacramento and Signature Homes will each terminate upon the occurrence of certain events as set forth in the applicable Continuing Disclosure Certificate for KB Home Sacramento and Signature Homes, including when the property owned by KB Home Sacramento and Signature Homes within the Improvement Area, respectively, is no longer obligated to pay 20% or more of the Special Taxes within the Improvement Area.

### **Summaries Not Definitive**

Brief descriptions of the Bonds; the Local Obligations; the security for the Bonds, the City, the Improvement Area and the status of development within the Improvement Area are included in this



Official Statement together with summaries of certain provisions of the Bonds, the Trust Agreement and the Local Obligations Indenture. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Trust Agreement and the Local Obligations Indenture are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of Trustee.

## **FOLSOM PLAN AREA**

### **General Folsom Plan Area Plan of Finance**

In 2001, the City commenced plans to expand its sphere of influence area to include an area south of US Route 50. The area, known as the Folsom Plan Area is bordered to the west by Prairie City Road, the east by the Sacramento/El Dorado County boundary line, the north by US Route 50, and the south by White Rock Road. In November 2004, the citizens of the City adopted Measure W (“Measure W”), which specified certain requirements for annexing the Folsom Plan Area into the City. In June 2011, the City adopted its Folsom Plan Area Specific Plan (the “Specific Plan”). The Local Agency Formation Commission approved the City’s plan to annex the Folsom Plan Area on January 18, 2012.

As described below, the Folsom Plan Area is an area of approximately 3,500 acres in the southern portion of the City that has been approved for development of approximately 11,461 units of residential development, plus 274.5 acres of commercial/industrial development (including mixed use development). Over the build out of the property, the City anticipates using community facilities districts under the Mello-Roos Act to finance a large portion of the public infrastructure required for the development, plus certain maintenance obligations of public improvements and facilities.

The City has previously issued a series of bonds for its Community Facilities District No. 17 (Willow Hill Pipeline) (“CFD 17”) to finance certain public capital improvements for the benefit of the Folsom Plan Area in the principal amount of \$6,675,000, of which \$6,015,000 are currently outstanding. The City does not expect to issue any additional bonds for CFD 17. The City has also formed its Community Facilities District No. 18 (Folsom Plan Area – Area-Wide Improvements and Services) (“CFD 18”) to finance certain water and sewer improvements and a regional aquatic center along with maintenance and certain services. CFD 18 encompasses all of the property within the Folsom Plan Area, which is the CFD 17 property plus approximately 190 acres bordering El Dorado County in the eastern portion of the City south of US Route 50. The City has authorized the issuance of up to \$200,000,000 in bonds for CFD 18. The timing of issuance of bonds for CFD 18 is dependent upon market conditions and development within the Folsom Plan Area. The boundaries of CFD 17 and CFD 18 encompass nearly all of the property in the Folsom Plan Area, including the property in the Improvement Area. The Improvement Area represents approximately 6.1% by acres of CFD 17 and approximately 5.9% by acres of CFD 18. The allocable portion of bonds previously issued for CFD 17 and any bonds to be issued for CFD 18 constitute overlapping debt. See “THE IMPROVEMENT AREA—Overlapping Debt.”

The City does not expect to form any additional community facilities district coterminous with CFD 17 or CFD 18. However, the City has received a request from various developers within the Folsom Plan Area to create an additional community facilities district with boundaries covering all the undeveloped property therein (“CFD 24”) to supplement the CFD 18 facilities special tax, which is levied on a parcel once it has been issued a building permit or upon issuance of a final small lot subdivision map (when CFD 18 bond are outstanding). The request for CFD 24 is still preliminary but currently proposes imposing a separate special tax on each undeveloped property in the Folsom Plan Area to help finance the required Phase 2 water pipeline. Under the current proposal, the CFD 24 special tax would be levied on each of the undeveloped properties in the Folsom Plan Area until a building permit was issued, at which time that property would no longer be subject to the CFD 24 special tax but would be subject to the CFD

18 special tax. As proposed, a CFD 24 bond sale would provide gap financing for any Phase 2 water facilities not funded through CFD 18 bond proceeds. The City has not yet determined whether CFD 24 will be formed or, if formed, to what extent it will conform to the current request from the developers. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—*Water Supply Infrastructure.*”

### **Public Facilities Financing Plan**

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

The PFFP contemplates that the primary sources of funding for the construction of the public infrastructure and facilities in the Folsom Plan Area are community facilities districts, development impact fees collected upon permit issuance (including development impact fees of the Folsom Cordova Unified School District), direct developer financing, and matching state school grants and other school funding (including the school facilities improvement district described under “THE COMMUNITY FACILITIES DISTRICT—Overlapping Debt”). Subdivision improvements are not included as part of the PFFP.

On September 8, 2015, the City approved Resolution No. 9641, in which the City Council adopted a Nexus Study to collect certain impact fees for the Specific Plan to be collected in accordance with City Ordinance No. 1234. In addition, on the same date, the City approved Resolution No. 9642, in which the City Council adopted a Nexus Study for the Specific Plan Infrastructure Fees (the “SPIF”) to be collected for the Specific Plan and in accordance with Ordinance No. 1235 and Chapter 3.130 of the Folsom Municipal Code. Most recently, on January 9, 2018, the City of Folsom approved Resolution No. 10040, amending Resolution No. 9641, to adjust the initial Folsom Plan Area Development Impact Fees. On the same date, the City approved Resolution No. 10059, adopting the Nexus Study Fiscal Year 2017-18 Update for the SPIF, and setting the updated infrastructure fees. On July 28, 2020, the City approved Resolution No. 10491, in which the City adopted the Nexus Study Fiscal Year 2020-21 Update for the Folsom Plan Area SPIF. On this date, the City also introduced and had the first reading for City Ordinance No. 1307, in which the City amended sections 3.130.010(JJ) and 3.130.030(E)(1)(c) of the Folsom Municipal Code pertaining to the SPIF Set-Aside Component of the SPIF. The SPIF Set-Aside was amended to include a new SPIF Off-Site Water Set-Aside Component to repay the City for water treatment plant costs the City had previously incurred. On August 25, 2020, the City conducted the second reading and approved Ordinance No. 1307.

*Phasing of Development.* For purposes of setting the PFFP costs, the City projected single family units would be sold and occupied within 13 years, multi-family low density units within 15 years, and multi-family medium and high density units within 18 years.

*Backbone Infrastructure.* The PFFP provides for the financing or collection of impact fees for and the construction of the backbone infrastructure required before construction in the Folsom Plan Area can proceed. Specifically, the PFFP recognizes the need for roadway improvements, on-site water system improvements, off-site water system improvements, recycled water system improvements, sanitary sewer

system improvements, storm drainage system improvements, habitat mitigation, and construction of two freeway interchanges and improvements to an existing freeway interchange.

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

The Folsom Plan Area is currently being served by the existing fire resources of the City as well as other Sacramento County, El Dorado County and Placer County fire agencies through mutual aid agreements with the City. The City is currently undertaking general planning for the type and staffing needs of the first fire station. As noted in the PFFP, the City’s goal is to maintain a level of service that represents a rate of 1 station per 12,000 population, which the City expects to resolve by commencing construction on the first fire station servicing the Folsom Plan Area when there are approximately 1,400 residential units occupied within the Folsom Plan Area.

The estimated total cost of the backbone infrastructure and public facilities for the Folsom Plan Area at build-out is \$876,669,484 (in 2017 dollars), of which the City anticipates that a portion will be financed through the Folsom Plan Area SPIF and the issuance of bonds for CFD 18, the Improvement Area or other community facilities districts and improvement areas. This estimate is subject to a variety of construction and market risks. The City and the District can provide no assurances that the overall costs will not increase, even significantly, in the future. The following table shows the breakdown of overall estimated costs for each category of improvement within the Folsom Plan Area as a whole.

**Table 1**  
**City of Folsom**  
**Folsom Plan Area Public Facilities Financing Plan**  
**Estimated Budget (2017\$)**

<u>Infrastructure</u>	<u>Estimated Cost</u>	<u>Public Improvements</u>	<u>Estimated Cost</u>
Roadways	\$270,335,001	Public Schools <sup>(1)(2)</sup>	\$134,250,000
Dry Utility	32,476,778	Parks	74,116,000
On-Site Water	54,966,951	Transit Services	17,129,000
Off-Site Potable Water	41,655,691	Housing Trust <sup>(2)</sup>	39,680,000
Recycled Water	10,931,440	Trails	14,420,000
Wastewater (Sewer)	21,434,147	Fire Facilities and Equipment	12,736,582
Storm Drainage	65,467,614	Police Facilities and Equipment	5,843,000
Habitat Mitigation	6,978,281	Municipal Service Center	5,434,000
<b>Total:</b>	<b>\$504,245,902</b>	Corporation Yard	8,020,000
		Solid Waste	5,542,000
		Branch Library	2,833,000
		Community and Aquatic Center <sup>(3)</sup>	37,860,000
		General Capital	13,800,000
		Transportation <sup>(2)</sup>	760,000
		<b>Total:</b>	<b>\$372,423,582</b>

Source: Folsom Specific Plan Infrastructure Fee Nexus Study Fiscal Year 2017-2018 Update (“Nexus Study Update”); City of Folsom; EPS.

<sup>(1)</sup> Assumed no active-adult units in calculation of estimated school fee revenue. Certain developments within the Folsom Plan Area are expected to include active-adult units.

<sup>(2)</sup> Based on estimated fee revenue generated from existing fee programs.

<sup>(3)</sup> Community and Aquatic Center was not included in the Nexus Study Update. Estimated cost based on original PFFP costs in 2013 dollars increased by 3.02%, similar to the cost increases for the Folsom Plan Area Specific Plan Stand Alone Fee facilities included in the Nexus Study Update.

Development within the Folsom Plan Area, including within the Improvement Area, is dependent upon completion of certain of the above described infrastructure. For more information on status of construction of improvements and development necessary for development to occur within the Improvement Area, see “PROPOSED PROPERTY DEVELOPMENT.” See also “THE IMPROVEMENT AREA—Overlapping Debt.”

## PLAN OF FINANCE

### Facilities to be Financed

The Bonds are issued for the purpose of providing funds to purchase the Local Obligations. The Local Obligations are being issued to finance the acquisition and construction of certain public capital improvements more particularly described in the Resolution of Formation adopted by the City Council of the City on May 26, 2020. The City entered into an acquisition and shortfall agreement (the “Acquisition Agreement”) with ECIC on June 25, 2020, wherein the City agrees to use a portion of the proceeds of the Local Obligations to finance the acquisition from ECIC of those facilities set forth in the Acquisition Agreement. Such facilities consist of certain transportation improvements, water system improvements, recycled water system improvements, drainage system improvements, wastewater system improvements, park, parkway and open space improvements, Specific Plan Infrastructure Fee program improvements and certain Specific Plan Infrastructure Fee obligations (collectively, the “Facilities”). Construction of the Facilities is required for development within the Improvement Area and the District to be completed.

Proceeds from the Local Obligations are expected to finance some, but not all, of the Facilities eligible to be financed within the District, and the District expects to issue one or more series of bonds to finance the acquisition of additional facilities in the future. See “PROPOSED PROPERTY DEVELOPMENT – Development Plans of Finance.”

## THE BONDS

### General

The Bonds are secured by a pledge of amounts paid with respect to the Local Obligations. The Local Obligations are secured by a pledge of Special Taxes (net of Priority Administrative Expenses) levied against taxable property within the Improvement Area. See “DEBT SERVICE SCHEDULE” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Local Obligations are secured by a pledge of Special Taxes (net of Priority Administrative Expenses) on parity with any Additional Local Obligations (defined below).

The Local Obligations Indenture establishes a Local Obligation Reserve Fund and a Local Obligations Reserve Account therein with respect to the Local Obligations. Amounts available from the Local Obligations Reserve Account are available to pay debt service on the Local Obligations. There is no reserve fund with respect to the Bonds. Amounts available from the Local Obligations Reserve Account are not available to cure a deficiency generally in the Trust Estate to make debt service payments on the Bonds.

### Description of the Bonds

*General.* The Bonds will be dated their date of delivery and mature on September 1, as set forth on the inside front cover page hereof (each, a “Principal Payment Date”). Interest is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2021 (each, an “Interest Payment Date”).

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

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

The Bonds are special, limited obligations of the Authority. The Bonds are payable solely from and secured by the Trust Estate of the Authority pledged under the Trust Agreement, consisting primarily of payments received by the Authority from the District under the Local Obligations, which payments are secured by a lien of the Special Taxes (defined herein) (net of Priority Administrative Expenses) levied upon property within the Improvement Area, as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Payments under the Local Obligations are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due. Pursuant to the Local Obligations Indenture, a Local Obligations Reserve Account is established for the Local Obligations. Amounts available from the Local Obligations Reserve Account are *not* available to cure a deficiency in the Trust Estate available to pay debt service of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Terms of the Local Obligations—Local Obligations Reserve Account.”

*No Additional Bonds under the Trust Agreement.* The Trust Agreement does not permit the Authority to issue any additional bonds on parity with the Bonds. However, subject to certain conditions contained in the Local Obligations Indenture, the District may at any time issue bonds (the “Additional Local Obligations”) payable from the net proceeds of the Special Tax (after payment of Priority Administrative Expenses) on parity with the Local Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Terms of the Local Obligations – *Additional Local Obligations.*”

## **Redemption Provisions\***

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

103% if redeemed on any date on or after September 1, 20\_\_ through August 31, 20\_\_;

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\* Preliminary, subject to change.

102% if redeemed on any date from September 1, 20\_\_ through August 31, 20\_\_;

101% if redeemed on any date from September 1, 20\_\_ through August 31, 20\_\_; and

100% if redeemed on September 1, 20\_\_ and any date thereafter.

*Extraordinary Redemption from Prepayment of Special Taxes.* The Bonds are subject to extraordinary redemption by the Authority prior to their respective maturity dates, as a whole or in part on any Interest Payment Date on or after March 1, 20\_\_, solely from funds derived from extraordinary redemption of Local Obligations from Special Tax Prepayments, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

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

102% if redeemed on an Interest Payment Date on September 1, 20\_\_ and March 1, 20\_\_;

101% if redeemed on an Interest Payment Date on September 1, 20\_\_ and March 1, 20\_\_; and

100% if redeemed on September 1, 20\_\_ and any Interest Payment Date thereafter.

Prepayments from prepaid Special Taxes could be made by any of the owners of any of the property within the Improvement Area, including ECIC, Folsom Real Estate South, KB Home Sacramento, Signature Homes, any other developers or homebuilders owning Taxable Property in the Improvement Area or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See "CERTAIN RISKS TO BONDHOLDERS—Potential Early Redemption of Bonds from Prepaid Special Taxes."

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

Minimum Sinking Fund Payment Date (September 1)	Bonds Minimum Sinking Fund Payment
	\$

† Maturity.

The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption in part by lot on September 1 of each year commencing September 1, 20\_\_, at a redemption price equal to one hundred percent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date fixed for redemption:

Minimum Sinking Fund Payment Date (September 1)	Bonds Minimum Sinking Fund Payment
†	\$
† Maturity	

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

*Redemption Instructions.* Upon any prepayment of a Local Obligation, the Authority shall deliver to the Trustee a Written Order of the Authority designating the amounts and maturities of the Bonds to be redeemed, which shall be in the manner necessary to enable the Authority to deliver a Cash Flow Certificate satisfying the requirements described below. In the event only a portion of the Outstanding Bonds of any maturity are to be redeemed at any one time, the Trustee shall select the particular Bonds of each maturity date to be redeemed in accordance with DTC procedures or, if the Bonds are not then in book-entry, randomly. The Trustee shall redeem Bonds in Authorized Denominations.

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

In no event shall Bonds be redeemed if upon such redemption the principal amount of the Local Obligations remaining outstanding will be less than the total principal amount of Outstanding Bonds. Such Written Order of the Authority may specify that optional redemption of the Bonds will be conditioned upon receipt of funds or other events.

*Notice of Redemption.* Subject to receipt of the Written Order of the Authority described under “—Redemption Instructions”, if sufficient money is anticipated to be available for redemption of Bonds identified in such Written Order, the Trustee shall give notice of redemption; provided, that Bonds, identified by CUSIP numbers, serial numbers and maturity date, have been called for redemption and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof that has been

called for redemption (or if all the Outstanding Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof to the Trustee at its Corporate Trust Office, subject to any conditions to such redemption specified in the Written Order of the Authority, at the redemption price (specifying such price), together with any accrued interest to such date, and that all interest on the Bonds (or portions thereof) so to be redeemed will cease to accrue on and after such date and that from and after such date such Bond (or such portion thereof) shall no longer be entitled to any lien, benefit or security hereunder, and the Owner thereof shall have no rights in respect of such redeemed Bond or such portion except to receive payment from such money of such redemption price plus accrued interest to the date fixed for redemption.

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

Any notice of optional redemption may be rescinded by written notice given by the Authority to the Trustee no later than three Business Days prior to the date specified for redemption. The Trustee shall give notice of rescission of the notice of optional redemption or non-satisfaction of any conditions specified in the notice of optional redemption as soon as practicable to the same parties and in the same manner as the notice of redemption was given.

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

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

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

If any Bond or any portion thereof has been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, has been made or provided for by the Authority, then interest on such Bond or such portion will cease to accrue from such



date, and from and after such date such Bond or such portion will no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof will have no rights in respect of such Bond or such portion except to receive payment of such redemption price, and unpaid interest accrued to the date fixed for redemption.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds from the sale of the Bonds will be used to purchase the Local Obligations. The proceeds of the Local Obligations in turn will be used to finance construction and acquisition of the Facilities and pay costs of issuance of the Local Obligations and Bonds. The following table sets forth the estimated sources and uses of the funds as allocated to the Bonds:

<b>Sources of Funds</b>	
Principal Amount	\$
<i>[Plus/Less]:</i> [Net] Original Issue [Premium/Discount]	_____
Total Sources	\$
<b>Uses of Funds</b>	
Acquisition and Construction Fund	\$
Underwriter’s Discount	
Deposit to Local Obligations Reserve Account <sup>(1)</sup>	
Deposit to Local Obligations Capitalized Interest Account <sup>(2)</sup>	
Deposit to Costs of Issuance Fund <sup>(3)</sup>	_____
Total Uses	\$

- <sup>(1)</sup> A portion of the purchase price of the Local Obligations will be deposited into the Local Obligations Reserve Account for the Local Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”
- <sup>(2)</sup> To pay interest on the Local Obligations and, in turn, the Bonds, to September 1, 2021.
- <sup>(3)</sup> A portion of the purchase price of the Local Obligations will be used to pay costs of issuance including fees of Bond Counsel and the Municipal Advisor, the initial fees of the Trustee, noncontingent fees of the Appraiser and Absorption Analyst, printing costs and other miscellaneous expenses.

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**DEBT SERVICE SCHEDULE**

The annual scheduled debt service schedule for the Bonds, assuming no early redemption, is set forth in the following table. The Local Obligations are sized to provide 100% of the debt service on the Bonds when due and have the same principal amortization as the Bonds. The Local Obligations will be issued with an annual scheduled debt service schedule that results in at least 100% annual debt service coverage from Special Tax revenues expected to be generated in Villages 4, 7, 8 and 10 net of Priority Administrative Expenses (defined below). The District expects that Additional Local Obligations will be issued on parity with the Local Obligations as the Improvement Area develops. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Terms of the Local Obligations – *Additional Local Obligations.*”

**Table 2**  
**Folsom Ranch Financing Authority**  
**City of Folsom Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Special Tax Revenue Bonds, Series 2020**  
**Debt Service Schedule**

Period Ending (September 1)	Principal	Interest	Total
	\$	\$	\$

TOTAL	\$	\$	\$
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<sup>(1)</sup> Local Obligations debt service capitalized through September 1, 2021.  
 Source: Piper Sandler & Co.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are secured by a lien on and pledge of the Trust Estate, consisting primarily of payments received by the Authority from the District under the Local Obligations, which payments are secured by Special Taxes (net of Priority Administrative Expenses) levied upon property within the Improvement Area and received by the District.

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

### General

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

The principal of and the interest on the Local Obligations are payable from the annual Special Taxes levied and to be collected on all real property within the Improvement Area subject to the Special Taxes and the proceeds, if any, from the sale of such property for delinquency of such Special Taxes, after payment of Priority Administrative Expenses. The Local Obligations are secured by a pledge on the Special Taxes (net of Priority Administrative Expenses) on parity with the pledge of such Special Taxes for any Additional Local Obligations issued under the Local Obligations Indenture. See “—Payment of the Local Obligations” and “—Terms of the Local Obligations.”

The District may not issue indebtedness payable from the Special Taxes except as provided in the Local Obligations Indenture. See APPENDIX C—“SUMMARY OF PRINCIPAL DOCUMENTS—SUMMARY OF THE LOCAL OBLIGATIONS INDENTURE—Authorization and Issuance of Bonds—*Additional Bonds; Subordinate Bonds.*” The City has, however, formed CFD 17, which has issued bonds secured by special taxes with a co-equal lien on property within the Improvement Area and has formed CFD 18, which is authorized to issue bonds secured by special taxes with a co-equal lien on property within the Improvement Area. Additionally, the City has received a request from various developers of the Folsom Plan Area to create CFD 24, which, if formed, could impose an additional co-equal lien on the undeveloped property in the Improvement Area. See “FOLSOM PLAN AREA.” The Authority, the District and the City have no control over the amount of additional debt payable from taxes or assessments on all or any portion of the property within the Improvement Area that may be issued in the future by other governmental entities or districts having jurisdiction over all or a portion of the land within the Improvement Area. To the extent such debt is payable from other assessments or special taxes levied pursuant to the applicable law, such assessments or special taxes may have a lien on the property within the Improvement Area on parity with the lien of the Special Taxes.

## Flow of Funds

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

- First:* To the Interest Fund, an amount of Revenues which together with amounts on deposit therein, is equal to the interest due and payable on the Bonds due on such Interest Payment Date;
- Second:* To the Principal Fund (i) on each Principal Payment Date from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Bonds which have matured but which have not been presented for payment) is sufficient to pay the Principal Installments on the Bonds due on such Principal Payment Date and (ii) on each September 1 on which a Minimum Sinking Fund Payment is required to be made (for deposit in the Sinking Fund Account) from the Revenue Fund an amount of Revenues which is equal to the Minimum Sinking Fund Payment due and payable on such date. On each Principal Payment Date, the Trustee shall pay the principal or redemption price due and payable on the Bonds on such date from the Principal Fund.

Following such deposits, any remaining money in the Revenue Fund is required to be transferred to the Local Obligations Trustee for application under the Local Obligations Indenture. For additional information regarding the Flow of Funds, see “—Local Obligations Flow of Funds.”

*Revenues Derived from Special Tax Prepayments.* All Revenues derived from early redemption of Local Obligations from Special Tax Prepayments received by the Trustee will be immediately deposited into the Redemption Fund to be applied to the extraordinary redemption of Bonds. See “THE BONDS—Redemption Provisions—*Extraordinary Redemption from Prepayment of Special Taxes.*”

## Description of Local Obligations

The District will issue the Local Obligations in the principal amount of \$12,925,000\*. The Local Obligations are secured solely by the Special Taxes (net of Priority Administrative Expenses) levied upon certain real property within the Improvement Area and proceeds of foreclosure sales in the Improvement Area.

The pledge of Special Taxes (net of Priority Administrative Expenses) levied within the Improvement Area is on parity with the pledge thereof securing any Additional Local Obligations issued under the Local Obligations Indenture. The District may issue Additional Local Obligations secured on

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\* Preliminary, subject to change.

parity with the pledge of the Special Taxes (net of Priority Administrative Expenses) within the Improvement Area only in accordance with the Local Obligations Indenture. See APPENDIX C—“SUMMARY OF PRINCIPAL DOCUMENTS—SUMMARY OF THE LOCAL OBLIGATIONS INDENTURE—Authorization and Issuance of Bonds—*Additional Bonds; Subordinate Bonds.*”

A description of the Improvement Area is set forth under the caption, “THE IMPROVEMENT AREA.”

### **Issuance of Local Obligations**

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

The Local Obligations constitute special tax obligations of the District payable as to both principal and interest from the annual Special Tax (after payment of the District’s Priority Administrative Expenses) to be levied by the District on land within the Improvement Area, including proceeds from the sale of property within the Improvement Area collected as result of foreclosure of the lien of the Special Taxes and certain funds and accounts held under the Local Obligations Indenture. The District’s sole recourse in the event of a delinquency or failure to pay Special Taxes on a particular parcel is to institute foreclosure proceedings with respect to that parcel. However, the District is not obligated under the Local Obligations Indenture to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the District has received one hundred percent (100%) of the amount of such installment from the County pursuant to the Teeter Plan. See “—Covenant for Foreclosure” and “—The Teeter Plan” herein.

### **Payment of the Local Obligations**

The Local Obligations constitute the limited obligations of the District payable as to both principal and interest from the annual Special Tax (net of Priority Administrative Expenses) levied by the District on land within the Improvement Area, including proceeds from the sale of property within the Improvement Area collected as a result of foreclosure of the lien on the Special Taxes and certain funds and accounts held under the Local Obligations Indenture. The District’s sole recourse in the event of a delinquency or failure to pay Special Taxes on a particular parcel is to institute foreclosure proceedings with respect to that parcel.

The term “Priority Administrative Expenses” means an amount equal to (a) for Fiscal Year 2021-22, \$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.

THE LOCAL OBLIGATIONS ARE SPECIAL TAX OBLIGATIONS OF THE DISTRICT, AND THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE LOCAL

OBLIGATIONS INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX), NET OF PRIORITY ADMINISTRATIVE EXPENSES, AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE LOCAL OBLIGATIONS INDENTURE, AND THE DISTRICT IS NOT OBLIGATED TO PAY THE LOCAL OBLIGATIONS EXCEPT FROM SUCH FUNDS. THE GENERAL FUND OF THE CITY AND THE FUNDS OF THE DISTRICT ARE NOT LIABLE, AND NEITHER THE FULL FAITH AND CREDIT OF THE DISTRICT NOR THE CITY ARE PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS. NO TAX OR ASSESSMENT OTHER THAN THE SPECIAL TAX SHALL EVER BE LEVIED OR COLLECTED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS. THE LOCAL OBLIGATIONS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY PROPERTY OF THE DISTRICT OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE LOCAL OBLIGATIONS INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX), NET OF PRIORITY ADMINISTRATIVE EXPENSES, AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE LOCAL OBLIGATIONS INDENTURE, AND NEITHER THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE DISTRICT. THE LOCAL OBLIGATIONS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE CITY COUNCIL NOR THE DISTRICT NOR ANY OFFICER OR EMPLOYEE THEREOF SHALL BE LIABLE FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS OTHERWISE THAN FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE LOCAL OBLIGATIONS INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX), NET OF PRIORITY ADMINISTRATIVE EXPENSES, AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE LOCAL OBLIGATIONS INDENTURE.

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

### **Local Obligations Flow of Funds**

*Application of Special Tax Fund.* Pursuant to the Local Obligations Indenture, the District agrees and covenants that it will deposit the Special Tax proceeds in the Community Facilities Fund, which fund is established in the treasury of the City. All money in the Community Facilities Fund shall be used and withdrawn by the District solely for the benefit of the District in accordance with the Mello-Roos Act, including payment of Expenses. Pursuant to the Local Obligations Indenture, the District further agrees and covenants that, after payment of Priority Administrative Expenses, it will transfer to the Local Obligations Trustee from the Community Facilities Fund amounts sufficient and in sufficient time for the Local Obligations Trustee to make the transfers required by it, and the Local Obligations Trustee shall deposit such proceeds as and when received in the Special Tax Fund. All money in the Special Tax Fund is required to be set aside by the Local Obligations Trustee in the following respective special accounts and fund within the Special Tax Fund in the following order of priority, and all money in each of such

accounts and fund shall be applied, used and withdrawn only for the purposes specified in the Local Obligations Indenture:

- (1) Redemption Account;
- (2) Local Obligations Reserve Fund;
- (3) Expense Account; and
- (4) Services Account.

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

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

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

*Local Obligations Reserve Fund.* On or before March 1 and September 1 in each year, the Local Obligations Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in each Local Obligations Reserve Account within the Local Obligations Reserve Fund such amount of money as shall be required to restore each such Local Obligations Reserve Account to a sum equal to the Required Bond Reserve for the applicable series of Local Obligations, *pro rata*, to the extent that amounts are available in the Special Tax Fund for such purpose; and for this purpose all investments in each Local Obligations Reserve Account shall be valued on March 1 and September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the

lesser of (i) the cost of such investments plus the amortization of any premium or minus the amortization of any discount, or (ii) the market value of such investments. For purposes of allocating remaining money in the Special Tax Fund between more than one Bond Reserve Account, any such transfers to and deposits in each Bond Reserve Account shall be made equally and ratably.

No deposit need be made into a Local Obligations Reserve Account if the value of the investments contained therein is at least equal to the Required Bond Reserve for the applicable series of Local Obligations and Additional Local Obligations.

All money in each Local Obligations Reserve Account shall be used and withdrawn by the Local Obligations Trustee solely for the purpose of paying the interest on or principal of the corresponding series of Local Obligations in the event there is insufficient money in the Redemption Account available for this purpose; provided, that if as a result of any of the foregoing valuations or due to redemption as a result of property owner prepayments it is determined that the amount of money in a Local Obligations Reserve Account exceeds or will exceed the Required Bond Reserve for the applicable series of Local Obligations, the Local Obligations Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Redemption Account. For the avoidance of doubt, amounts in a Local Obligations Reserve Account are not available to make up a deficiency for the payment of principal and interest on any Local Obligations other than the specific series of Local Obligations and Additional Local Obligations to which that Local Obligations Reserve Account relates.

*Expense Account.* On or before March 1 and September 1 in each year, beginning in September 2021, the Local Obligations Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Account a sum equal to the amount required by the District (as specified in a Written Request of the District filed with the Local Obligations Trustee) for the payment of budgeted Expenses during the six-month period beginning on such date, or to reimburse the District or the City for the payment of unbudgeted Expenses during the prior six-month period. All money in the Expense Account shall be used and withdrawn by the Trustee only for transfer to or for the account of the District or the City (as specified in a Written Request of the District filed with the Trustee) to pay budgeted Expenses as provided in the Local Obligations Indenture, or to reimburse the District or the City for the payment of unbudgeted Expenses as provided in the Local Obligations Indenture, or to pay interest on or principal of or redemption premiums, if any, on the Local Obligations in the event that no other money is available therefor.

*Services Account.* On or before March 1 and September 1 in each year, beginning in September 2021, the Local Obligations Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Services Account a sum equal to the Services Special Tax (as specified in a Written Request of the District filed with the Local Obligations Trustee). All money in the Services Account shall be used and withdrawn by the Local Obligations Trustee only for transfer to or for the account of the District (as specified in a Written Request of the District filed with the Local Obligations Trustee) to pay budgeted Services or to reimburse the District for the payment of unbudgeted Services, each as provided in the Local Obligations Indenture, or to pay interest on or principal of or redemption premiums, if any, on the Local Obligations and any Additional Local Obligations in the event that no other money is available therefor.

### **Special Tax Authorization**

The Special Tax is to be levied and collected against all Taxable Property within the Improvement Area in accordance with the rate and method of apportionment (the "Rate and Method of Apportionment"). See APPENDIX A—"RATE, METHOD OF APPORTIONMENT AND MANNER OF COLLECTION OF SPECIAL TAX." The Special Tax is to be collected in the same manner as



ordinary *ad valorem* property taxes are collected, and, except as otherwise provided in the covenant for foreclosure and in the Mello-Roos Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Covenant for Foreclosure” and “CERTAIN RISKS TO BONDHOLDERS—Collection of Special Tax.”

The Rate and Method of Apportionment of the Special Tax, subject to the maximum rates set forth therein, apportions the total debt service requirement (principal, interest, and mandatory sinking fund payments), restoration of the Required Bond Reserve, current annual expenses, pay as you go improvement costs and other costs each year among the taxable land in the Improvement Area. See APPENDIX A—“RATE, METHOD OF APPORTIONMENT AND MANNER OF COLLECTION OF SPECIAL TAX.”

Pursuant to the Local Obligations Indenture, so long as any Local Obligations or Additional Local Obligations are Outstanding, the District is required annually to levy the Special Tax against all Taxable Property in the Improvement Area and make provision for the collection of such Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Local Obligations Indenture, and which in any event will be sufficient to pay the interest on and principal of and Minimum Sinking Fund Account Payments for and redemption premiums, if any, on the Local Obligations as they become due and payable, to replenish the Local Obligations Reserve Fund to the Required Bond Reserve and to pay all current Expenses as they become due and payable.

Under the Mello-Roos Act, the Special Tax levied in any fiscal year against private residential property may not be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the Improvement Area 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. Under the Rate and Method of Apportionment, property is considered “Residential Property” and is subject to the aforementioned limitation once a building permit could be issued for the purposes of constructing one or more residential units. See “CERTAIN RISKS TO BONDHOLDERS—Maximum Special Tax.”

### **Covenant for Foreclosure**

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

Pursuant to Section 53356.1 of the Mello-Roos Act, in the event of any delinquency in the payment of the Special Tax, the District may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the District has covenanted in the Local Obligations Indenture that it will 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 it determines on the basis of such review that the amount so collected is deficient by more than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year within the Improvement Area, it will within sixty (60) days thereafter institute foreclosure proceedings as authorized by the Mello-Roos Act in order to enforce the lien of the delinquent installments of the Special Tax against each lot or parcel

of land in the Improvement Area, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that irrespective of the foregoing if the District determines on the basis of such review that property owned by any single property owner in the Improvement Area is delinquent by more than four thousand dollars (\$4,000) with respect to the Special Tax due and payable by such property owner by such delinquency date, then the District will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided in the Local Obligations Indenture against such property owner; 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; and provided further, that the District is not obligated under the Local Obligations Indenture to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the District has received one hundred percent (100%) of the amount of such installment from the County pursuant to the Teeter Plan (described herein).

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds (if the Local Obligations Reserve Account has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District of the proceeds of sale. However, within the limits of the Special Tax, the District may adjust the Special Tax levied on Taxable Property in the Improvement Area (subject to the limitation on the Maximum Special Tax, defined herein), to provide an amount required to pay interest on and principal of the Local Obligations and any additional obligations payable from the Special Tax, and the amount, if any, necessary to replenish each subaccount of the Local Obligations Reserve Fund to an amount equal to the Required Bond Reserve and to pay all current Expenses for the Improvement Area. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property (as defined in the Rate and Method of Apportionment) in the Improvement Area will be at all times sufficient to pay the amounts required to be paid by the Local Obligations Indenture, even if the Special Tax is levied at the Maximum Special Tax rates. See "CERTAIN RISKS TO BONDHOLDERS—Maximum Special Tax."

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

#### **No Required Advances from Available Surplus Funds**

Neither the City nor the District is obligated to advance available surplus funds available from the City treasury to pay debt service on the Local Obligations or to replenish the Local Obligations Reserve Account; provided, that nothing shall affect the right of the District under the Mello-Roos Act to make advances to cure any deficiencies.

#### **Terms of the Local Obligations**

*General.* The City Council of the City established the District and designated the Improvement Area therein on May 26, 2020. On that same date, the eligible voters of the District in the Improvement Area authorized the issuance of bonds in an amount not to exceed \$76,000,000 for the Improvement Area.

The Local Obligations will be the first issuance of bonds for the Improvement Area. The Local Obligations will be issued in the aggregate principal amount of \$12,925,000\* pursuant to the Mello-Roos Act and the Local Obligations Indenture. The Local Obligations will be dated the date of delivery of the Bonds. The Local Obligations are secured by a pledge of the Special Tax (net of Priority Administrative Expenses) levied within the Improvement Area.

*Local Obligations Reserve Account.* The Local Obligations Indenture establishes a Local Obligations Reserve Account within the Local Obligations Reserve Fund to be held by the Local Obligations Trustee and requires that there be maintained in the Local Obligations Reserve Account an amount equal to the Required Bond Reserve. "Required Bond Reserve" is defined to mean, for the Local Obligations, as of any date of calculation, the least of: (a) the Maximum Annual Debt Service, (b) one hundred twenty-five percent (125%) of the Average Annual Debt Service or (c) ten (10%) percent of the original proceeds of the Local Obligations; provided that the Required Bond Reserve shall be calculated on the date of issuance of the Local Obligations issued under the Local Obligations Indenture and shall not increase thereafter; and provided further that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "AA" or higher (without regard to qualifier) assigned by Fitch or "Aa" or higher (without regard to qualifier) assigned by Moody's or "AA" or higher (without regard to qualifier) assigned by S&P.

The Local Obligations Reserve Account is established specifically for the Local Obligations, and amounts in the Local Obligations Reserve Account are not available to make up a deficiency for the payment of principal and interest on any Additional Local Obligations. Pursuant to the Local Obligations Indenture, each reserve account within the Local Obligations Reserve Fund is only available for paying the interest on or principal of the corresponding series of Local Obligations or Additional Local Obligations for which it was created.

The Required Bond Reserve with respect to the Local Obligations upon their date of issuance will be \$ \_\_\_\_\_.

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

*Additional Local Obligations.* The District may at any time, by a supplement to the Local Obligations Indenture, issue Additional Local Obligations that are payable from the proceeds of the Special Tax (after payment of Priority Administrative Expenses) on parity with the Local Obligations, subject to the following conditions, which conditions are precedent to the issuance of such Additional Local Obligations:

(i) The District shall be in compliance with all agreements, conditions, covenants and terms contained in the Local Obligations Indenture and in all Supplemental Indentures required to be observed

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\* Preliminary, subject to change.

or performed by it, and no Event of Default under the Local Obligations Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing;

(ii) The District shall establish a separate subaccount of the Local Obligations Reserve Fund for the payment of such Additional Local Obligations in an amount equal to the Required Bond Reserve; and

(iii) (a) In each year until the maturity date for the Additional Local Obligations, the Maximum Facilities Special Tax less Priority Administrative Expenses is estimated to cover at least one hundred ten percent (110%) of the sum of the Annual Debt Service on the Local Obligations and all Additional Local Obligations, including such Additional Local Obligations to be issued, and (b) the Value of all Taxable Property, in aggregate, is at least three (3) times the aggregate Lien on such Taxable Property.

“Facilities Special Tax” is 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 in accordance with the Rate and Method (each as defined in the Rate and Method of Apportionment).

“Maximum Facilities Special Tax” is the total maximum annual Facilities Special Tax, determined in accordance with the provisions of Section C of the Rate and Method, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property (each as defined in the Rate and Method of Apportionment).

“Value” is defined as the current assessed valuation of the Taxable Property and/or the appraised value of the Taxable Property determined by a MAI appraiser. “Lien” is defined in the Local Obligations Indenture as the allocable or proportional (as applicable) aggregate principal amount of all overlapping debt and bonds (including the Local Obligations) outstanding that are secured by a special tax levied pursuant to the Mello-Roos Act or a special assessment levied on property within the Improvement Area, including any overlapping debt or bonds for community facilities districts or special assessment districts that is allocated to property within the Improvement Area.

Notwithstanding the foregoing, the District may issue one or more series of Additional Local Obligations (the “Refunding Local Obligations”) without meeting the requirements summarized in paragraph (iii) above if, after the issuance and delivery of such Refunding Local Obligations, either (i) none of the Local Obligations or Additional Local Obligations theretofore issued under the Local Obligations Indenture will be Outstanding or (ii) the Debt Service in each Bond Year that begins after the issuance of such Refunding Local Obligations is not increased by reason of the issuance of such Refunding Local Obligations.

*Redemption of the Local Obligations.\** The Local Obligations are subject to extraordinary redemption by the District from funds derived by the District from prepayments of the Special Tax. The Local Obligations are also subject to optional and mandatory redemption by the District. A description of the redemption prices and terms of the Local Obligations is set forth under APPENDIX C—“SUMMARY OF PRINCIPAL DOCUMENTS—SUMMARY OF THE LOCAL OBLIGATIONS INDENTURE—Redemption of Bonds.”

*Selection of Local Obligations for Redemption.* If less than all the outstanding Local Obligations and any Additional Local Obligations are to be redeemed as a result of prepayments of the Special Tax at any one time, the Local Obligations and any Additional Local Obligations shall be redeemed pro rata by

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\* Preliminary, subject to change.

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

### **Special Tax Analysis**

The following is a synopsis of the provisions of the Rate and Method of Apportionment, which should be read in conjunction with the complete text of the Rate and Method of Apportionment which is attached as APPENDIX A. The definitions of the capitalized terms used under this caption “—Special Tax Analysis” are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method of Apportionment, and is qualified by more complete and detailed information contained in the entire Rate and Method of Apportionment attached as APPENDIX A.

The Special Tax is to be levied and collected against all Taxable Property within the Improvement Area in accordance with the Rate and Method of Apportionment approved by the landowner electors of the Improvement Area. The total annual levy of the Special Tax is calculated to satisfy the annual debt service during the ensuing Fiscal Year, to replenish the reserve fund for the Local Obligations, the allocable portion of administrative expenses, the amount necessary to cure any delinquencies or to fund any deficiency of the amount to be available for the payment of principal or interest on bonds which are expected to occur in the ensuing fiscal year, to fund authorized facilities funded on a pay-as-you-go basis, to fund authorized services expenses and to pay amounts required to establish or replenish certain funds related to authorized services, less any available capitalized interest and earnings on the funds that may be used to fund the aforementioned costs.

*Assignment to Land Use Categories.* Each Fiscal Year, all Assessor’s Parcels within the Improvement Area will be classified by the CFD No. 23 IA1 Administrator as either Taxable Property or Exempt Property. Taxable Property will be further classified as Developed Property, Small Lot Final Map Property, Permit Ready Multi-Family/Non-Residential Property, Large Lot Property, or Undeveloped Property and shall be subject to the levy of the annual Special Tax.

“*Developed Property*” means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to June 30 of the previous Fiscal Year.

“*Small Lot Final Map Property*” means, for each Fiscal Year, all Taxable Property for which a Small Lot Final Subdivision Map was recorded prior to June 30 of the previous Fiscal Year.

“*Permit Ready Multi-Family/Non-Residential Property*” means an Assessor’s Parcel of Taxable Property zoned for multi-family or non-residential land use for which all discretionary entitlements have been obtained, including without limitation, development plan review and improvement plan approval, such that building permits may be issued without further approvals for the construction of multi-family Residential Units or non-residential buildings within such Assessor’s Parcel. The City shall have sole discretion, based upon available development information, in classifying an Assessor’s Parcel as Permit Ready Multi-Family/Non-Residential Property.

“*Large Lot Property*” means, for each Fiscal Year, all Taxable Property for which a Large Lot Map was recorded prior to June 30 of the previous Fiscal Year, excluding any portion(s) thereof classified

as Developed Property, Small Lot Final Map Property or Permit Ready Multi-Family/Non-Residential Property. Large Lot Property also means, for each Fiscal Year, all Taxable Property classified as Small Lot Final Map Remainder Property as of June 30 of the previous Fiscal Year.

“*Small Lot Final Map Remainder Property*” means an Assessor’s Parcel that is created from the subdivision of Large Lot Property by the recordation of a Small Lot Final Subdivision Map that has not yet been mapped for final development approval. Small Lot Final Map Remainder Property is that portion of property for which the Small Lot Final Subdivision Map definition does not apply (i.e., does not contain individual lots for which building permits may be issued for Residential Units without further subdivision of such property). Each Fiscal Year, all Taxable Property classified as Small Lot Final Map Remainder Property, as of June 30 of the previous Fiscal Year, will be considered Large Lot Property.

“*Undeveloped Property*” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Small Lot Final Map Property, Permit Ready Multi-Family/Non-Residential Property or Large Lot Property.

“*Single-Family Detached Property – MLD Zoning*” means, for each Fiscal Year, all Taxable Property for which a building permit could be issued for purposes of constructing one or more detached or attached Residential Units with a permitted density range of 7-12 Residential Units per Acre, which is more fully described in the Folsom Plan Area Specific Plan adopted on June 28, 2011 and as amended by the City Council.

“*Single-Family Detached Property – SF/SFHD Zoning*” means, for each Fiscal Year, all Taxable Property for which a building permit could be issued for purposes of constructing one or more Residential Units. Single-Family Detached Property – SF/SFHD Zoning shall consist of either single-family property with a permitted density range of 1-4 Residential Units per Acre or single-family high density property with a permitted density range of 4-7 Residential Units per Acre, which is more fully described in the Folsom Plan Area Specific Plan adopted on June 28, 2011 and as amended by the City Council.

“*MMD Multi-Family Attached Property*” means all Assessor’s Parcels for which a building permit could be issued for purposes of constructing one or more attached Residential Units per Assessor’s Parcel with a permitted density range of 12-20 Residential Units per Acre, which is more fully described in the Folsom Plan Area Specific Plan adopted on June 28, 2011 and as amended by the City Council.

“*MHD Multi-Family Attached Property*” means all Assessor’s Parcels for which a building permit could be issued for purposes of constructing one or more attached Residential Units per Assessor’s Parcel with a permitted density range of greater than 20 Residential Units per Acre, which is more fully described in the Folsom Plan Area Specific Plan adopted on June 28, 2011 and as amended by the City Council. MHD Multi-Family Attached Property shall also include an Assessor’s Parcel or that portion of an Assessor’s Parcel designated as a Mixed Use Residential Parcel.

“*Mixed Use Residential Parcel*” means a mixed use Assessor’s Parcel that is designated for residential land use. If the mixed use Assessor’s Parcel contains a combination of residential land use and non-residential land use, only that portion of an Assessor’s Parcel designated for residential land use shall be classified as a Mixed Use Residential Parcel and the remaining non-residential land use of the Assessor’s Parcel shall be classified as Non-Residential Property.

“*Non-Residential Property*” means, for each Fiscal Year, all Taxable Property for which a building permit could be issued for purposes of constructing non-residential buildings.

*Maximum Special Tax.* The Rate and Method of Apportionment is used to allocate the amount of

the Special Tax required among the Taxable Property, based upon land use categories, subject to the Maximum Special Tax Rate that may be levied against each land use category.

The following table shows the Maximum Special Tax Rates within the Improvement Area for all anticipated allocable land use categories in fiscal year 2021-22, which is the first year in which the Special Tax is anticipated to be levied.

**Table 3**  
**City of Folsom**  
**Communities Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Maximum Special Tax Rate Categories**  
**Fiscal Year 2021-22**

Tax Category	Residential Floor Area	Effective Tax Rate Evaluation Maximum Facilities Special Tax Rate <sup>(1)</sup>	Maximum Services Special Tax Rate <sup>(2)</sup>	Maximum Annual Special Tax
<b>Developed Property (\$ amounts per residential unit)</b>				
Single-Family Detached Property - SF/SFHD Zoning	≥ 3,600	\$2,384	\$214	\$2,598
Single-Family Detached Property - SF/SFHD Zoning	3,200 - 3,599	2,384	214	2,598
Single-Family Detached Property - SF/SFHD Zoning	2,800 - 3,199	2,384	214	2,598
Single-Family Detached Property - SF/SFHD Zoning	2,400 - 2,799	2,294	214	2,508
Single-Family Detached Property - SF/SFHD Zoning	2,000 - 2,399	2,150	214	2,364
Single-Family Detached Property - SF/SFHD Zoning	< 2,000	1,937	214	2,151
Single-Family Detached Property - MLD Zoning	≥ 3,600	2,584	159	2,743
Single-Family Detached Property - MLD Zoning	3,200 - 3,599	2,584	159	2,743
Single-Family Detached Property - MLD Zoning	2,800 - 3,199	2,584	159	2,743
Single-Family Detached Property - MLD Zoning	2,400 - 2,799	2,584	159	2,743
Single-Family Detached Property - MLD Zoning	2,000 - 2,399	2,404	159	2,563
Single-Family Detached Property - MLD Zoning	< 2,000	2,241	159	2,400
<b>Developed Property (\$ amounts per acre)</b>				
MMD Multi-Family Attached Property	N/A	\$30,600	\$510	\$31,110
MHD Multi-Family Attached Property	N/A	11,934	1,020	12,954
Non-Residential Property	N/A	11,934	1,020	12,954
<b>Small Lot Final Map Property (\$ amounts per residential lot)</b>				
Single-Family Detached Property - SF/SFHD Zoning	N/A	\$2,316	\$214	\$2,531
Single-Family Detached Property - MLD Zoning	N/A	2,615	159	2,774
<b>Permit Ready Multi-Family/Non-Residential Property (\$ amounts per acre)</b>	N/A	\$11,934	\$ 1,020	\$12,954
<b>Large Lot Property (\$ amounts per acre)</b>	N/A	\$22,950	\$1,428	\$24,378
<b>Undeveloped Property (\$ amounts per acre)</b>	N/A	\$22,950	\$1,428	\$24,378

<sup>(1)</sup> Increases by 2% each Fiscal Year.

<sup>(2)</sup> Increases by the annual June consumer price index change for the San Francisco-Oakland-San Jose area, not to exceed 4% each Fiscal Year.

Source: NBS and the District.

The total special tax generated by the Improvement Area may change from time to time if there are amendments or modifications to the development plan. The District covenants in the Local Obligations Indenture to not approve any amendments, changes or modifications relating to development of the property within the Improvement Area that would reduce the amount of the Maximum Special Tax less Priority Administrative Expenses to equal less than one hundred ten percent (110%) of the sum of the Annual Debt Service on the Local Obligations in any year until the maturity date for the Local Obligations.

The following table and Tables 5, 6 and 7 under “—Special Tax Calculation” collectively show the estimated minimum, projected actual and estimated maximum amounts of Special Tax revenue during various stages of the Improvement Area’s development using Fiscal Year 2021-22 Special Tax rates and current development status and expectations. Tables 4 and 5 each show for Fiscal Year 2021-22 the minimum amount of Maximum Facilities Special Tax revenue to be generated in the Improvement Area (referred to herein as “Effective Tax Rate Evaluation Minimum Facilities Revenue” and further defined below), with Table 4 showing this amount based on the anticipated development at full build-out and Table 5 showing this amount based on the actual, current development status of the properties. The Effective Tax Rate Evaluation Minimum Facilities Revenue is used because the Effective Tax Rate Evaluation has occurred and the Facilities Special Tax rates have now been set.

Table 6 shows the estimated total Special Tax levy for Fiscal Year 2021-22 based on the properties’ current map status as Small Lot Final Map Property for Villages 4, 7 and 8 and as Large Lot Property for the remainder of the Improvement Area. Table 6 shows both the estimated Facilities Special Tax levy and the estimated Services Special Tax levy for Fiscal Year 2021-22 based on current development status and the percentage of the estimated Special Tax levy allocable to each of the current property owners.

Table 7 shows the projected Maximum Facilities Special Tax, Maximum Services Special Tax and total Maximum Special Tax at the time of full build-out of the Improvement Area, based on the current development plans. If changes are made to development plans for the Improvement Area, the projected Maximum Facilities Special Tax, the projected Maximum Services Special Tax and the projected total Maximum Special Tax may decrease from the amounts shown in the above table, but in no event will the Maximum Facilities Special Tax decrease below the Effective Tax Rate Evaluation Minimum Facilities Revenue.

Included below are additional relevant defined terms used in the Rate and Method of Apportionment.

“*Effective Tax Rate Evaluation Minimum Facilities Revenue*” means, following the Effective Tax Rate Evaluation, the total minimum amount of CFD No. 23 IA1 Effective Tax Rate Evaluation Maximum Facilities Special Tax, as adjusted annually by the Facilities Special Tax Escalation Factor after the Fiscal Year in which the Effective Tax Rate Evaluation occurs, less any Effective Tax Rate Evaluation Maximum Facilities Special Tax amounts prepaid and permanently satisfied pursuant to Section K. The Effective Tax Rate Evaluation Minimum Facilities Revenue, based on Planned Development, is set forth in Attachment D of the Rate and Method of Apportionment.

“*Effective Tax Rate Evaluation Maximum Facilities Special Tax*” means the total maximum annual Facilities Special Tax, as determined during the Effective Tax Rate Evaluation, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“*Effective Tax Rate Evaluation*” means an evaluation of the Total Effective Tax Rate of Residential Property at the time of such evaluation. The Effective Tax Rate Evaluation will be based



upon a prepared Price Point Study to determine the Total Effective Tax Rate for Residential Property, based upon the calculated Total Estimated Tax Burden.

*“Total Effective Tax Rate”* means the percentage of the Total Estimated Tax Burden as compared to the estimated average sales price identified in the Price Point Study for each land use category of Residential Property.

*“Total Estimated Tax Burden”* means the total amount of overlapping property taxes anticipated to be levied upon a Residential Unit, based upon the estimated average sales price identified in the Price Point Study and existing property tax rates for the current Fiscal Year. Existing property tax rates shall reflect the actual property tax rates levied upon Taxable Property in the Fiscal Year that the Effective Tax Rate Evaluation is completed.

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**Table 4**  
**City of Folsom**  
**Communities Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Minimum Revenue Amounts**  
**Fiscal Year 2021-22**

Property	Projected Number of Units	Effective Tax Rate Evaluation Minimum Facilities Revenue <sup>(1)</sup>
<b>Village 4</b>		
Single-Family Detached Property - SF/SFHD Zoning	73	\$141,400
Single-Family Detached Property - MLD Zoning	<u>0</u>	<u>0</u>
<b>Village 4 Total</b>	<b>73</b>	<b>\$141,400</b>
<b>Village 7</b>		
Single-Family Detached Property - SF/SFHD Zoning	0	\$0
Single-Family Detached Property - MLD Zoning	<u>68</u>	<u>152,384</u>
<b>Village 7 Total</b>	<b>68</b>	<b>\$152,384</b>
<b>Village 8</b>		
Single-Family Detached Property - SF/SFHD Zoning	0	\$0
Single-Family Detached Property - MLD Zoning	<u>36</u>	<u>80,674</u>
<b>Village 8 Total</b>	<b>36</b>	<b>\$80,674</b>
<b>Village 10</b>		
Single-Family Detached Property - SF/SFHD Zoning	0	\$0
Single-Family Detached Property - MLD Zoning	<u>118</u>	<u>264,431</u>
<b>Village 10 Total</b>	<b>118</b>	<b>\$264,431</b>
<b>Remaining Villages and Lots</b>		
Single-Family Detached Property - SF/SFHD Zoning	368	\$712,809
Single-Family Detached Property - MLD Zoning	0	0
MHD Multi-Family Attached Property <sup>(2)</sup>	<u>265</u>	<u>116,953</u>
<b>Total Remaining Villages and Lots</b>	<b>633</b>	<b>\$829,762</b>
<b>Total Minimum Revenue</b>	<b>928</b>	<b>\$1,468,650</b>

<sup>(1)</sup> Increases by 2% each Fiscal Year.

<sup>(2)</sup> The Effective Tax Rate Evaluation Maximum Facilities Special Tax Rate is based upon 9.80 acres.

Source: NBS and the District.

As shown in the table immediately above, the Improvement Area's Effective Tax Rate Evaluation Minimum Facilities Revenue for Fiscal Year 2021-22, based on the anticipated types of residences at full build-out, is \$1,468,650. Table 7 below shows the projected Maximum Facilities Special Tax, Maximum Services Special Tax and total Maximum Special Tax at the time of full build-out of the Improvement Area, based on the current development plans. The projected Maximum Facilities Special Tax, as shown in Table 7, is \$1,468,650, which equals the Effective Tax Rate Evaluation Minimum Facilities Revenue

shown in Table 4. These two amounts are currently equal because the Maximum Facilities Special Tax for developed residential property is calculated based on the square footage of the residential floor area. Because no homes have been constructed within the Improvement Area, the projected Maximum Facilities Special Tax shown in Table 7 was calculated assuming the smallest residential floor area (and, correspondingly, the lowest Effective Tax Rate Evaluation Maximum Facilities Special Tax Rate) for each of the types of residences expected at full build-out.

If changes are made to development plans for the Improvement Area, the projected Maximum Facilities Special Tax, the projected Maximum Services Special Tax and the projected total Maximum Special Tax may decrease from the amounts shown in Table 7, but in no event will the Maximum Facilities Special Tax decrease below the Effective Tax Rate Evaluation Minimum Facilities Revenue shown in Table 4. See “—Special Tax Analysis” above.

*Future Assessor’s Parcel Changes.* The Effective Tax Rate Evaluation Maximum Facilities Special Tax shall be assigned to all future Assessor’s Parcel(s) created from a subdivision, lot line adjustment, or merger of one or more Assessor’s Parcels so that the revised total Effective Tax Rate Evaluation Maximum Facilities Special Tax revenue is not less than the total Effective Tax Rate Evaluation Minimum Facilities Revenue amount described in the Rate and Method of Apportionment.

*Method of Apportionment – Facilities Special Tax.* The CFD No. 23 IA1 Administrator shall determine the Facilities Special Tax Requirement and levy the Facilities Special Tax until the amount of Facilities Special Taxes equals the Facilities Special Tax Requirement. The Facilities Special Tax shall be levied each Fiscal Year as follows:

- First:* The Facilities Special Tax shall be levied Proportionately on all Developed Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax in order 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 Facilities Special Tax shall be levied Proportionately on all Small Lot Final Map Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax. The Facilities Special Tax shall be levied on Small Lot Final Map Property for the entire portion of the Facilities Special Tax Requirement, excluding only Pay As You Go Costs.
- Third:* If additional monies are needed to satisfy the Facilities Special Tax Requirement after the first two steps have been completed, the Facilities Special Tax shall be levied Proportionately on all Permit Ready Multi-Family/Non-Residential Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax. The Facilities Special Tax shall be levied on Permit Ready Multi-Family/Non-Residential Property for the entire portion of the Facilities Special Tax Requirement, excluding only Pay As You Go Costs.
- Fourth:* If additional monies are needed to satisfy the Facilities Special Tax Requirement after the first three steps have been completed, the Facilities Special Tax shall be levied Proportionately on all Large Lot Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax. The Facilities Special Tax shall be levied on Large Lot Property for the entire portion of the Facilities Special Tax Requirement, excluding only Pay As You Go Costs.

*Fifth:* If additional monies are needed to satisfy the Facilities Special Tax Requirement after the first four steps have been completed, the Facilities Special Tax shall be levied Proportionately on all Undeveloped Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax. The Facilities Special Tax shall be levied on Undeveloped Property for the entire portion of the Facilities Special Tax Requirement, excluding only Pay As You Go Costs.

*Method of Apportionment – Services Special Tax.* The CFD No. 23 IA1 Administrator shall determine the Services Special Tax Requirement and levy the Services Special Tax until the amount of Services Special Taxes equals the Services Special Tax Requirement. The Services Special Tax shall be levied each Fiscal Year as follows:

*First:* The Services Special Tax shall be levied Proportionately on all Developed Property at a rate up to 100% of the Maximum Services Special Tax in order to satisfy the Services Special Tax Requirement.

*Second:* If additional monies are needed to satisfy the Services Special Tax Requirement after the first step has been completed, the Services Special Tax shall be levied Proportionately on all Small Lot Final Map Property at a rate up to 100% of the Maximum Services Special Tax in order to satisfy the Services Special Tax Requirement.

*Third:* If additional monies are needed to satisfy the Services Special Tax Requirement after the first two steps have been completed, the Services Special Tax shall be levied Proportionately on all Permit Ready Multi-Family/Non-Residential Property at a rate up to 100% of the Maximum Services Special Tax in order to satisfy the Services Special Tax Requirement.

*Fourth:* If additional monies are needed to satisfy the Services Special Tax Requirement after the first three steps have been completed, the Services Special Tax shall be levied Proportionately on all Large Lot Property at a rate up to 100% of the Maximum Services Special Tax in order to satisfy the Services Special Tax Requirement.

“*Special Tax*” means the annual Facilities Special Tax and Services 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 the Services Special Tax Requirement.

“*Facilities Special Tax Requirement*” means that amount of Special Tax revenue required in any Fiscal Year for the Improvement Area to: (i) Pay Facilities Administrative Expenses in an amount designated by the City; (ii) pay annual debt service on all Outstanding Bonds due in the Bond Year beginning in such Fiscal Year; (iii) pay other periodic costs on Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on Outstanding Bonds; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; (v) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and known upcoming delinquencies; and (vi) pay for Pay As You Go Costs; less (vii) a credit for funds available to reduce the annual Facilities Special Tax levy as determined by the CFD No. 23 IA1 Administrator pursuant to the Indenture.

“*Services Special Tax Requirement*” means the amount of Services Special Tax revenue required in any Fiscal Year for the Improvement Area to: (i) Pay Services Administrative Expenses in an amount

designated by the City; (ii) pay Authorized Services expenses; (iii) pay any amounts required to establish or replenish any repair and contingency funds, capital improvement funds, or reserve funds related to the Authorized Services expenses; (iv) cover any shortfalls that exist if, in any Fiscal Year, the levy of the Facilities Special Tax on each Assessor's Parcel of Taxable Property is insufficient to pay the Facilities Special Tax Requirement in that Fiscal Year (Facilities Special Tax Requirement shortfalls shall not include Pay As You Go Costs), and (v) pay for reasonably anticipated delinquent Services Special Taxes based on the delinquency rate for Services Special Taxes levied in the previous Fiscal Year; less (vi) a credit for funds available to reduce the annual Services Special Tax levy as determined by the CFD No. 23 IA1 Administrator.

In accordance with the flow of Special Tax proceeds under the Local Obligations Indenture, in the event of a shortfall in the Facilities Special Tax to pay the Facilities Special Tax Requirement, the proceeds of the Services Special Tax will be applied to help cover the Facilities Special Tax shortfall before being applied to fund Authorized Services. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Local Obligations Flow of Funds."

*Residential Property Limitation.* Under no circumstances will the Facilities Special Tax levied in any fiscal year against Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the Improvement Area 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. Pursuant to the Rate and Method of Apportionment, property is considered "Residential Property" once a building permit could be issued for the purposes of constructing one or more Residential Units. See "CERTAIN RISKS TO BONDHOLDERS—Maximum Special Tax."

### **Special Tax Calculation**

The following tables reflect the estimated Effective Tax Rate Evaluation Minimum Facilities Revenue for Fiscal Year 2021-22 based on the development status as of October 1, 2020 (see Table 5); the estimated total Special Tax levy for Fiscal Year 2021-22 based on the properties' current map status as Small Lot Final Map Property for Villages 4, 7 and 8 and as Large Lot Property for the remainder of the Improvement Area (see Table 6); and the projected Maximum Facilities Special Tax, Maximum Services Special Tax and total Maximum Special Tax assuming full build-out of the Improvement Area and assuming no further changes to the development plans (see Table 7). The following tables do not necessarily reflect the Special Tax that will be actually levied in any year. See "PROPOSED PROPERTY DEVELOPMENT—Development Entitlements" for a discussion of the anticipated timing of the final map approval for Villages 1, 2, 3, 5, 6 and 10.

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**Table 5**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Estimated 2021-22 Effective Tax Rate Evaluation Minimum Facilities Revenue**  
**Development Status as of October 1, 2020 (unless otherwise noted)**

<u>Development Status</u>	<u>Planned Units</u>	<u>Appraised Value<sup>(1)</sup></u>	<u>Estimated 2021-22 Effective Tax Rate Evaluation Minimum Facilities Revenue<sup>(2)</sup></u>	<u>Percentage of Estimated 2021-22 Effective Tax Rate Evaluation Minimum Facilities Revenue</u>
Village 4 – Small Lot Final Map Property	73	\$14,967,520	\$141,400	9.6%
Village 7 – Small Lot Final Map Property	68	12,857,305	152,384	10.4%
Village 8 – Small Lot Final Map Property	36	6,836,921	80,674	5.5%
Village 10 – Small Lot Final Map Property <sup>(3)</sup>	118	14,896,010	264,431	18.0%
Remaining Villages and Lots – Large Lot Property	<u>633</u>	<u>20,163,989</u>	<u>829,762</u>	<u>56.5%</u>
<b>Totals:</b>	<b>928</b>	<b>\$69,721,745</b>	<b>\$1,468,650</b>	<b>100%</b>

<sup>(1)</sup> These amounts reflect an estimated allocation of value within the Improvement Area and have not been independently verified by the Appraiser. See “THE IMPROVEMENT AREA—Property Values.”

<sup>(2)</sup> Increases by 2% each Fiscal Year.

<sup>(3)</sup> Scheduled to record during the 4<sup>th</sup> quarter of 2020.

Source: Except as otherwise noted, NBS.

**Table 6**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Estimated 2021-22 Special Tax Levy**  
**Development Status as of October 1, 2020**

Owner	Village	Development Status	Planned Units	Estimated Facilities Special Tax Levy	Percent of Facilities Special Tax Levy	Estimated Services Special Tax Levy	Estimated Total Special Tax Levy	Percent of Estimated Total Special Tax Levy
ECIC/Lennar Homes <sup>(1)</sup>	10	Small Lot Final Map Property	118	\$262,842	41.4%	\$18,776	\$281,618	35.8%
KB Home Sacramento	4	Small Lot Final Map Property	73	\$140,550	22.1%	\$15,637	\$156,187	19.9%
KB Home Sacramento	8	Small Lot Final Map Property	36	80,189	12.6	5,728	85,917	10.9
Subtotal KB Home Sacramento			<b>109</b>	<b>\$220,739</b>	<b>34.8%</b>	<b>\$21,365</b>	<b>\$242,104</b>	<b>30.8</b>
Signature Homes	7	Small Lot Final Map Property	68	\$151,468	23.9%	\$10,820	162,289	20.6
ECIC	3	Large Lot Map Property	53	\$0	0.0%	\$13,093	\$13,093	1.7%
ECIC	5	Large Lot Map Property	108	0	0.0	18,635	18,635	2.4
ECIC	6	Large Lot Map Property	45	0	0.0	14,093	14,093	1.8
ECIC	Lots C&D	Large Lot Map Property	265	0	0.0	15,235	15,235	1.9
Subtotal ECIC			<b>471</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$61,057</b>	<b>\$61,057</b>	<b>7.8%</b>
Folsom Real Estate South	1	Large Lot Map Property	162	\$0	0.0%	\$22,148	\$22,148	2.8%
Folsom Real Estate South	2	Large Lot Map Property	162	0	0.0	17,235	17,235	2.2
Subtotal Folsom Real Estate South			<b>162</b>	<b>0</b>	<b>0.0%</b>	<b>\$39,383</b>	<b>\$39,383</b>	<b>5.0%</b>
<b>Grand Total:</b>			<b>928</b>	<b>\$635,050</b>		<b>\$151,401</b>	<b>\$786,451</b>	<b>100.0%</b>

<sup>(1)</sup> Village 10 is currently owned by ECIC but is anticipated to transfer ownership to Lennar Homes.  
Source: NBS.

**Table 7**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Estimated Maximum Special Tax Revenue Amounts**  
**Fiscal Year 2021-22**  
**Assuming Full Build-Out**

<b>Property</b>	<b>Projected Number of Units</b>	<b>Projected Maximum Facilities Special Tax<sup>(1)(2)</sup></b>	<b>Projected Maximum Services Special Tax<sup>(1)(2)(3)</sup></b>	<b>Projected Total Maximum Special Tax</b>
<b>Village 4</b>				
Single-Family Detached Property - SF/SFHD Zoning	73	\$141,400	\$15,637	\$157,036
Single-Family Detached Property - MLD Zoning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Village 4 Total</b>	<b>73</b>	<b>\$141,400</b>	<b>\$15,637</b>	<b>\$157,036</b>
<b>Village 7</b>				
Single-Family Detached Property - SF/SFHD Zoning	0	\$0	\$0	\$0
Single-Family Detached Property - MLD Zoning	<u>68</u>	<u>152,384</u>	<u>10,820</u>	<u>163,204</u>
<b>Village 7 Total</b>	<b>68</b>	<b>\$152,384</b>	<b>\$10,820</b>	<b>\$163,204</b>
<b>Village 8</b>				
Single-Family Detached Property - SF/SFHD Zoning	0	\$0	\$0	\$0
Single-Family Detached Property - MLD Zoning	<u>36</u>	<u>80,674</u>	<u>5,728</u>	<u>86,402</u>
<b>Village 8 Total</b>	<b>36</b>	<b>\$80,674</b>	<b>\$5,728</b>	<b>\$86,402</b>
<b>Village 10</b>				
Single-Family Detached Property - SF/SFHD Zoning	0	\$0	\$0	\$0
Single-Family Detached Property - MLD Zoning	<u>118</u>	<u>264,431</u>	<u>18,776</u>	<u>283,207</u>
<b>Village 10 Total</b>	<b>118</b>	<b>\$264,431</b>	<b>\$18,776</b>	<b>\$283,207</b>
<b>Remaining Villages and Lots</b>				
Single-Family Detached Property - SF/SFHD Zoning	368	\$712,809	\$78,826	\$791,634
Single-Family Detached Property - MLD Zoning	0	0	0	0
MHD Multi-Family Attached Property	<u>265</u>	<u>116,953</u>	<u>9,996</u>	<u>126,949</u>
<b>Total Remaining Villages and Lots</b>	<b>633</b>	<b>\$829,762</b>	<b>\$88,822</b>	<b>\$918,583</b>
<b>Total Estimated Maximum Special Tax Revenue</b>	<b>928</b>	<b>\$1,468,650</b>	<b>\$139,783</b>	<b>\$1,608,433</b>

<sup>(1)</sup> Increases by 2% each Fiscal Year.

<sup>(2)</sup> The maximum facilities special tax rate and maximum services special tax rate is based upon the building square footage of the property and is determined at the time of building permit issuance. It is estimated that the building square footage for all units fall within the Single-Family Detached Property - SF/SFHD Zoning or Single-Family Detached Property - MLD Zoning less than 2,000 floor area categories.

<sup>(3)</sup> Increases by the annual June consumer price index change for the San Francisco-Oakland-San Jose area, not to exceed 4% each Fiscal Year. 2021-22 increase estimated at 2%.

<sup>(4)</sup> The Effective Tax Rate Evaluation Maximum Facilities Special Tax Rate is based upon 9.80 acres.

Source: NBS.



## **The Teeter Plan**

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

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

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

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

The Special Tax for the District will be submitted to the County for direct levy. By submitting the Special Tax to the County, the City has agreed to allow the District to participate in the County’s Teeter Plan. The County annually determines whether to include a particular direct levy and may make that determination on a district by district basis or a parcel by parcel basis. In addition, the County may not decide to include a particular parcel or district that had been included in its Teeter Plan in the previous year. The District can provide no assurance that the County will continue to include the District or any improvement area therein, including the Improvement Area, in the Teeter Plan.

To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted, the County’s Teeter Plan may help protect the Owners of the Bonds from the risk of delinquencies in Special Taxes.

## THE AUTHORITY

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

## THE CITY

The Improvement Area is located in the City, which is located in the easterly section of the Sacramento metropolitan area approximately 22 miles east of the central business district of the City of Sacramento.

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

## THE IMPROVEMENT AREA

### General Description and Location

The District is a community facilities district organized by the City Council as the legislative body of the District under the Mello-Roos Act for the purpose of providing for the acquisition and construction of certain public improvements and the financing of certain services to serve property within the District. The City established the District on May 26, 2020, and designated six separate improvement areas therein, including the Improvement Area. On May 26, 2020, elections were held within the Improvement Area and the other improvement areas within 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. In addition, the eligible voters in the Improvement Area authorized the issuance of bonds in an amount not to exceed \$76,000,000 for the Improvement Area. The District expects that such bonds and any bonds issued for the other improvement areas within the District from time to time will be issued to finance the authorized public facilities for the benefit of the District. With respect to the Improvement Area, such bonds will be issued only in accordance with the provisions of the Local Obligations Indenture. The total bonded indebtedness authorized in the Improvement Area will be limited by the requirements of the Local Obligations Indenture, including a 3:1 overlapping value to lien ratio on all land projected to be subject to the levy of the Special Tax and 110% annual coverage from the Maximum Special Tax less Priority Administrative Expenses. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS— Terms of the Local Obligations—*Additional Local Obligations.*”

The Improvement Area is located in the southern portion of the City, east of East Bidwell Street, west of Placerville Road, north of Mangini Parkway and south of U.S. Highway 50 and consists of over 205 total gross acres, of which approximately 109 acres are expected to constitute Taxable Property subject to the Special Tax. The remainder of the property will include an elementary school, a fire station, a police substation, parks and additional acreage planned for open space. Development within the Improvement Area is planned to include, at the time of full build-out, 441 single-family high density units, 222 multi-family low density units and 265 multi-family high density units (pending the successful completion of the plan amendment for and rezoning of Lot C, as discussed more below), for a total of 928

units. Both the single-family high density units and the multi-family low density units, representing 663 total residences, are expected to be developed as detached single-family homes, and the 265 multi-family high density units are expected to be constructed as apartments. The maps appearing on the inside cover pages show the general location of the District and the Improvement Area.

Presently, the Improvement Area includes properties in varying stages of early development, including partially improved lots, unimproved lots and unimproved land. Construction of public improvements and backbone infrastructure in the Improvement Area is currently underway, as more particularly described “PROPOSED PROPERTY DEVELOPMENT—Property Ownership and Plans for Development—Development Plan.”

The Improvement Area is located southwest of a residential community under current development known as Russell Ranch that is expected to include over 1,000 single family dwellings at full build-out, is immediately north of Mangini Ranch, a partially developed residential community that is also expected to include over 1,000 single family dwelling units at full build-out, and is northwest of an additional residential community known as White Rock Springs that is also under development and expected to include over 420 single family dwellings.

### **Property Values**

An appraisal of the land within the Improvement Area has been prepared by the Appraiser in connection with the issuance of the Bonds. The appraisal estimates the land value as of August 14, 2020 (the “Appraisal”). The Appraisal is attached to this Official Statement as APPENDIX G.

As of the date of inspection, the Appraiser notes that development of the property is underway. The subject property was valued based on the hypothetical condition that the improvements to be financed by proceeds of the Bonds have been completed. The Appraisal is based on land values at the time of inspection. The Appraisal is also based on certain extraordinary and general assumptions expressed therein, including ECIC’s estimated remaining development costs of \$582,646 pursuant to a cost sharing agreement with the property owner of an adjacent project for shared backbone improvements; an effective ad valorem property tax rate of 1.1877%, which may vary depending on certain general obligation tax levies; and incurred site development costs of \$22.54 million for the Phase 2A properties and remaining total site development costs of \$63.37 million for the Phase 2A, 2B and 2C properties.

Subject to the assumptions and hypothetical conditions, the Appraiser estimated that the value of the land within the Improvement Area, as of August 14, 2020, in aggregate, is \$69,721,745. See “PROPOSED PROPERTY DEVELOPMENT—Development Plan and Status of Development” below and APPENDIX G – “APPRAISAL.”

### **Value-to-Lien Analysis**

The following tables set forth the ratios of the appraised bulk value of the land to the total liens on the property in the Improvement Area based on the development status as of October 1, 2020. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements.” The value-to-lien ratio for the Improvement Area based solely on the Local Obligations and the appraised aggregate value of the land within the Improvement Area is 5.4:1.0\*. The overall value to overlapping debt ratio including direct and overlapping assessment and special tax debt is 4.7:1.0\* (see “—Overlapping Debt”). Any bonds secured by special assessments or special taxes issued from time to time, whether by the District or

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\* Preliminary. subject to change.

another governmental entity, may have the effect of reducing the value to lien ratio on property within the Improvement Area.

**Table 8**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Appraised Value-to-Lien Ratios**

<b>Development Status<sup>(1)</sup></b>	<b>Planned Units</b>	<b>Estimated 2021-22 Effective Tax Rate Evaluation Minimum Facilities Revenue<sup>(2)</sup></b>	<b>Appraised Value<sup>(3)</sup></b>	<b>Local Obligations<sup>(4)*</sup></b>	<b>Overlapping Debt<sup>(5)</sup></b>	<b>Appraised Value To Lien<sup>*</sup></b>	<b>Appraised and Overlapping Debt Value to Lien Ratio<sup>(6)*</sup></b>
Village 4 – Small Lot Final Map Property	73	\$141,400	\$14,967,520	\$2,860,577	\$271,726	5.2	4.8
Village 7 – Small Lot Final Map Property	68	152,384	12,857,305	3,082,796	233,858	4.2	3.9
Village 8 – Small Lot Final Map Property	36	80,674	6,836,921	1,632,069	126,803	4.2	3.9
Village 10 – Small Lot Final Map Property <sup>(7)</sup>	118	264,431	14,896,010	5,349,558	229,829	2.8	2.7
Other Villages/Lots – Large Lot Property	<u>633</u>	<u>829,762</u>	<u>20,163,989</u>	<u>0</u>	<u>996,213</u>	<u>N/A</u>	<u>20.2</u>
<b>Total</b>	<b>928</b>	<b>\$1,468,650</b>	<b>\$69,721,745</b>	<b>\$12,925,000</b>	<b>\$1,858,429</b>	<b>5.4</b>	<b>4.7</b>

\* Preliminary, subject to change.

(1) As of October 1, 2020.

(2) Increases by 2% each Fiscal Year.

(3) These amounts reflect an estimated allocation of value within the Improvement Area and have not been independently verified by the Appraiser. See “—Property Values.”

(4) The Local Obligations will be issued with an annual debt service schedule that results in at least 100% annual debt service coverage from Special Tax revenues expected to be generated in Villages 4, 7, 8 and 10 net of Priority Administrative Expenses.

(5) See “—Overlapping Debt” herein.

(6) Value to lien ratio is for the Local Obligations. Local Obligations are issued in the same principal amount of the Bonds.

(7) Scheduled to record during the 4<sup>th</sup> quarter of 2020.

Source: Except as otherwise noted, NBS.

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## Estimated Tax Burden on Single Family Home

The following table sets forth the estimated total tax burden on single-family high density residential property (SFHD) and multi-family low density residential property (MLD) within the Improvement Area, presented as an estimate of the majority of proposed homes to be constructed in the Improvement Area, based on estimated tax rates for Fiscal Year 2020-21.

**Table 9**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Single Family Residential Property Sample Property Tax Bill**  
**Estimated Charges for Fiscal Year 2020-21**

	<u>SFHD</u>	<u>MLD</u>
<b>Assessed Value<sup>(1)</sup></b>	<b>\$508,000</b>	<b>\$508,000</b>
Less: Homeowner Exemption	(7,000)	(7,000)
<b>Net Assessed Value</b>	<b>\$501,000</b>	<b>\$501,000</b>
<b>Ad Valorem<sup>(2)</sup></b>	<b>Tax Rate</b>	
General Purpose Ad Valorem Tax (Proposition 13)	1.0000%	\$5,010.00
Los Rios College General Obligation	0.0223%	111.72
Folsom-Cordova Unified School District Improvement Dist. 2	0.0254%	127.25
Folsom-Cordova Unified School District Improvement Dist. 3	0.2065%	1,034.57
<b>Total Ad Valorem Taxes</b>	<b>1.2542%</b>	<b>\$6,283.54</b>
<b>Special/Direct Assessments and Taxes</b>		
Folsom Community Facilities District No. 23 (Folsom Ranch) – Facilities <sup>(3)</sup>		\$1,899.00
Folsom Community Facilities District No. 23 (Folsom Ranch) – Services <sup>(4)</sup>		210.00
Folsom Community Facilities District No. 17 (Willow Hill Pipeline) <sup>(5)</sup>		73.97
Folsom Community Facilities District No. 18 (Folsom Plan Area) <sup>(5)</sup>		991.46
Sacramento Area Flood Control <sup>(6)</sup>		1.53
<b>Total Special/Direct Assessments and Taxes</b>		<b>\$3,175.96</b>
<b>Total Estimated Annual Property Taxes</b>		<b>\$9,459.50</b>
<b>Effective Tax Rate<sup>(7)</sup></b>		<b>1.8621%</b>

(1) Estimated based upon the minimum sales price for a sample single-family high density unit and a sample multi-family low density unit, per the Market Absorption Study prepared by the Gregory Group.

(2) Based upon 2020-21 Sacramento County ad valorem property tax rates for TRA 04-035 and 04-036.

(3) Estimated Maximum Annual Facilities Special Tax for Fiscal Year 2020-21. The Maximum Annual Facilities Special Tax escalates annually at 2%.

(4) Estimated Maximum Annual Services Special Tax for Fiscal Year 2020-21. The Maximum Annual Facilities Special Tax escalates annually based upon the annual June consumer price index change, for the San Francisco-Oakland-San Jose area, not to exceed 4%.

(5) 2020-21 Maximum Annual Special Tax. The Maximum Annual Special Tax excludes the Willow Hill Pipeline Special Tax, which is currently reflected under Folsom Community Facilities District No. 17 (Willow Hill Pipeline). The Area-Wide Special Tax escalates annually at 2% and the Maintenance Special Tax and TDM Services Special Tax escalate annually based upon the annual June consumer price index change, for the San Francisco-Oakland-San Jose area, not to exceed 4%.

(6) Approximate assessment for residential lots, based on size.

(7) Estimate of annual property taxes does not include any new special financing district fees, assessments, and/or special taxes imposed by the state, county, or local agencies that are yet to be established or any future annexation into existing special financing districts required by conditions for approval of development or any other imposed requirement. Information contained within is based upon records and official documents provided by various governmental agencies and third-party sources.

## Overlapping Debt

Set forth below is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within the Improvement Area. Additional indebtedness could be authorized by other public agencies at any time. Further, a portion of the overlapping debt shown in the table below is based on the assessed value of the underlying property, which can be expected to increase over time as development occurs and the assessed value grows. This table has been prepared by California Municipal Statistics, Inc. as of August 31, 2020, and is included for general information purposes only. Other than with respect to CFD 17, the table below allocates overlapping debt based on the assessed value of property and not on taxes paid. The District and the Authority have not reviewed the data for completeness or accuracy and make no representations in connection therewith.

CFD 17 authorized up to \$8,000,000 of bonds. The City does not expect to issue any additional obligations for CFD 17. In addition to CFD 17 and the District, the City has formed CFD 18, which the District overlaps, and the City Council of the City has authorized the issuance of \$200,000,000 in bonds to be secured by a special tax on property within CFD 18 on parity with the Special Tax in the Improvement Area. The City does not currently have a schedule for when such bonds will be issued. A portion of any bonds issued for CFD 18 will constitute overlapping debt. Other community facilities districts formed in the Folsom Ranch area will overlap CFD 18 and potentially CFD 17 but are not expected to overlap the District.

Direct assessments and levies payable with respect to property within the Improvement Area could potentially include up to \$750 million of general obligation bonds for the School Facilities Improvement District No. 3 of the Folsom Cordova Unified School District (“SFID 3”), approved by voters on March 27, 2007. SFID 3 encompasses approximately 52.6 square miles of land including the District and additional territory outside of the District, including territory in the City of Rancho Cordova and unincorporated Sacramento County. As of the date of the overlapping debt report, general obligation bonds in the aggregate principal amount of approximately \$195.6 million had been issued and approximately \$192.3 million were outstanding for SFID 3. This amount does not include general obligation bonds issued for SFID 3 in February 2017 that were cross-over refunding bonds. California Municipal Statistics Inc. handles cross-over refunding bonds by including the bonds to be refunded in the overlapping debt report until the crossover date, at which time the bonds to be refunded are treated as defeased and the crossover refunding bonds are treated as outstanding. At the time of the election approving the SFID 3 general obligation bonds, the ballot summary indicated the average tax rate per \$100,000 assessed valuation would be \$73.61. For 2020-21, the actual SFID 3 tax rate per \$100,000 was approximately \$206.50. The following table sets forth the ad valorem tax rates for SFID 3 over the past five years. The future tax levy per property owner in SFID 3 may vary depending on future bond issuance and/or changes in assessed value.

**Table 10**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**SFID 3 Ad Valorem Rates**

Year	Rate <sup>(1)</sup>
2020-21	0.2065%
2019-20	0.1366%
2018-19	0.1451%
2017-18	0.1878%
2016-17	0.1259%

<sup>(1)</sup> TRAs 04-035 and 04-036  
Source: NBS.

**Table 11**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Overlapping Debt**

2019-20 Local Secured Assessed Valuation: \$15,939,459 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/20</u>
Los Rios Community College District	0.008%	\$ 31,848
Folsom-Cordova Unified School District School Facilities Improvement District No. 2	0.113	18,942
Folsom-Cordova Unified School District School Facilities Improvement District No. 3	0.734	1,411,422
City of Folsom Community Facilities District No. 17	6.587	396,217
<b>City of Folsom Community Facilities District No. 23, I.A. 1</b>	<b>100.</b>	<b>—<sup>(1)</sup></b>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$1,858,429</u>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	0.009%	\$14,843
Sacramento County Pension Obligation Bonds	0.009	66,189
Sacramento County Board of Education Certificates of Participation	0.009	329
Folsom-Cordova Unified School District Certificates of Participation	0.071	2,355
City of Folsom General Fund Obligations	0.109	<u>1,771</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$85,487
 COMBINED TOTAL DEBT		 \$1,943,916 <sup>(2)</sup>

(1) Excludes Mello-Roos Bonds to be sold.

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

Ratios to 2019-20 Local Secured Assessed Valuation:

<b>Direct Debt (\$0)</b> .....	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	11.66%
Combined Total Debt.....	12.20%

**Market Absorption Study**

In connection with the issuance of the Bonds, the Absorption Analyst prepared the Market Absorption Study for property in the Improvement Area. Based on an analysis of the housing market demand-supply conditions in the general vicinity of the Improvement Area as well as other macroeconomic and microeconomic factors that are expected to influence the absorption of the forthcoming products, in general, and the competitiveness of the proposed housing products in the marketplace, in particular, the Absorption Analyst estimated the dates when the property will be sold to production homebuilders and prepared an estimate of the schedule, by product type (including price range), at which the products will be absorbed in the marketplace. Information concerning the proposed housing mix supplied to the Absorption Analyst was provided by ECIC, and by reference to the requirements of the Specific Plan.

Based on the assumptions and limiting conditions set forth in the Market Absorption Study, the Absorption Analyst has estimated the calendar year absorption schedules for the residential projects, excluding those multi-family high density units to be included in Lots C and D, as follows:

**Table 12**  
**City of Folsom**  
**Communities Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Market Absorption**

Property	Current Owner	Lot Size (sq. feet)	Home Sales Expected to Begin	Total Units	Estimated Weekly Absorption	Units Sold per Year				
						2020	2021	2022	2023	2024
Village 1	Folsom Real Estate South	4,000	November 2021	88	1.00	0	9	52	27	0
Village 2	Folsom Real Estate South	4,050	November 2021	74	1.00	0	9	52	13	0
Village 3	ECIC	4,125	February 2022	53	1.00	0	0	48	5	0
Villages 4 and 8	KB Home Sacramento	4,000	December 2020	109	1.00	4	52	52	1	0
Village 5	ECIC	4,000	September 2022	83	1.00	0	0	17	52	14
Village 6	ECIC	4,000	September 2022	70	1.00	0	0	17	52	1
Village 7	FR 68 Lots	3,075	December 2020	68	1.25	5	63	0	0	0
Village 10	ECIC <sup>(1)</sup>	3,015	January 2021	118	1.25	0	65	53	0	0
<b>Totals/Averages:</b>				<b>663</b>	<b>1.06</b>	<b>9</b>	<b>198</b>	<b>291</b>	<b>150</b>	<b>15</b>

<sup>(1)</sup> Lennar has contracted to purchase the Village 10 properties, however the closing of the sale of these properties to Lennar remains subject to certain conditions. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Lennar Purchase and Sale Agreement.”

Source: Absorption Analyst

A copy of the Market Absorption Study prepared by the Absorption Analyst appears in APPENDIX H to this Official Statement. The Market Absorption Study should be read in detail for an analysis of the proposed housing mix for the Improvement Area and for an explanation of the Absorption Analyst’s methodology and the assumptions underlying and the conditions limiting the conclusions contained therein. The District makes no representation as to the accuracy or completeness of the Market Absorption Study.

## PROPOSED PROPERTY DEVELOPMENT

### Development Entitlements

*Specific Plan.* On June 28, 2011, the City Council approved the Specific Plan for the development of 10,210 residential homes along with commercial, industrial/office park, open space, public schools, parks, infrastructure and other land uses on the 3,513.4 acre site of the Folsom Plan Area. At build out, projected to occur over a 20-year time frame, the Folsom Plan Area is projected to have a population of approximately 24,362 persons. Along with the 1,455.6 acres of residential development, the adopted Specific Plan called for 511.3 acres of commercial, office/industrial and mixed-use, 309.5 acres of public and quasi-public use (public and private schools, parks and infrastructure); 173.6 acres of major roads and 1,063 acres of open space.

Various property owners have submitted and received approvals of Specific Plan Amendments (“SPA’s”) since the 2011 City Council adoption. These approved SPA’s have resulted in various land use changes compared to the Specific Plan that was originally approved in 2011, including an increase in the



total entitled unit count to 11,461 dwelling units and reduction to approximately 2.8 million square feet of commercial, office/industrial and mixed use.

Through a Minor Administrative Modification for the Improvement Area, the Specific Plan was modified to allow for the adjustment of a common lot line between an elementary school site and seven residential lots in order to accommodate a wider street path that provides improved emergency access. The minor modification was approved by the City Council on April 20, 2020.

The Specific Plan is designed to guide and regulate the development for the area within the City south of US Route 50.

*Tentative and Final Mapping.* On February 13, 2018, the City Council approved a large lot vesting tentative map and a small lot vesting tentative map for the subject property known as “Mangini Ranch Phase 2,” which corresponds to the Improvement Area. The large lot final map was recorded on July 2, 2019 and consisted of 26 large lot parcels corresponding to the approved land use plan for residential and non-residential parcels, including future City-owned parcels offered for dedication. Subsequent to the large lot final map recording, a small lot final map was recorded for Village 7 on December 17, 2019. The small lot final maps for Villages 4 and 8 were approved by the City Council on July 28, 2020 and were recorded on August 6, 2020. The small lot vesting tentative map, which was approved on February 13, 2018, provided for the approval of all of the single-family high density parcels and multi-family low density parcels in the Improvement Area, except for those in Village 10, which was deferred to a future date. On July 14, 2020, the City Council approved the small lot vesting tentative map and design review permit for Village 10.

To date, final maps have been approved and recorded for Villages 4, 7 and 8, and tentative maps have been approved for Villages 1, 2, 3, 5, 6 and 10. Final map approval for Village 10 is expected in November 2020, for Villages 1 and 2 in September 2021 and for Villages 3, 5 and 6 in July 2022. ECIC and Folsom Real Estate South believe that all of the tentative map conditions, other than administrative and immaterial items, have been satisfied for Villages 1, 2, 3, 5, 6, and 10 (which represent the remaining taxable parcels in the Improvement Area, other than Lots C and D). The original small lot tentative map approval did not include specific design review permits for each of the planned subdivisions, and each of the builders are responsible for obtaining design review permits for each of their respective subdivisions. ECIC is not aware of any requirements for a final map to be approved for the 265 multi-family high density units on Lots C and D and is not aware of any plans by Spanos to propose a final map for these properties.

The primary outstanding entitlement request in the Improvement Area is a Specific Plan Amendment, Planned Development and Design Review Permit that has been submitted in connection with the proposed rezoning of Lot C to allow for the development of the 265 multi-family high density units on Lots C and D. The final environmental review and conditions of approval for this proposed change to Lot C are near completion, and it is expected that public hearings will be held for this project later in 2020.

The only remaining discretionary entitlements within the Improvement Area are design review permits required for future builders and the recordation of small lot final maps for the remaining single-family high density and multi-family low density subdivisions (Villages 1, 2, 3, 5, 6, 10 and Lots C and D).

Based on the current tentative and final subdivision maps and zoning entitlements, the property within the Improvement Area is entitled to be developed into 441 single-family high density units (in Villages 1 through 6), 222 multi-family low density units (in Villages 7, 8 and 10) and 265 multi-family

high density units (in Lots C and D, pending the successful completion of the plan amendment for and rezoning of Lot C, as discussed above). The single-family high density zoned properties can include 4 to 7 dwelling units per gross acre and can include either single-family dwellings or two-family dwellings. The multi-family low density zoned properties can include 7 to 12 dwelling units per gross acre, and the multi-family high density zoned property can include 20 to 30 dwelling units per gross acre. ECIC anticipates that the portions of the Improvement Area zoned for single-family high density properties and multi-family low density properties will be developed exclusively with single family detached units.

The following table describes the status of final maps for the Villages 1 through 8 and 10 and Lots C and D within the Improvement Area:

**Table 13**  
**City of Folsom**  
**Communities Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Final Map Status**

Village	Owner	Zoning	Number of Units	Lot Sizes	Status of Maps	Expected Date
1	Folsom Real Estate South	SFHD	88	4,000	Tentative Small Lot	September 2021
2	Folsom Real Estate South	SFHD	74	4,050	Tentative Small Lot	September 2021
3	ECIC	SFHD	53	4,125	Tentative Small Lot	July 2022
4	KB Home Sacramento	SFHD	73	4,000	Recorded	
5	ECIC	SFHD	83	4,000	Tentative Small Lot	July 2022
6	ECIC	SFHD	70	4,000	Tentative Small Lot	July 2022
7	FR 68 Lots	MLD	68	3,075	Recorded	
8	KB Home Sacramento	MLD	36	4,000	Recorded	
10	Lennar <sup>(1)</sup>	MLD	118	3,015	Tentative Small Lot	November 2020
Lots C/D	Spanos <sup>(2)</sup>	MHD	<u>265</u>	N/A	No Final Map Required	N/A
<b>TOTAL</b>			<b>928</b>			

(1) Lennar has contracted to purchase the Village 10 properties, however the closing of the sale of these properties to Lennar remains subject to certain conditions. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Lennar Purchase and Sale Agreement.”

(2) Spanos has contracted to purchase the Lot C and Lot D properties, however the closing of the sale of these properties to Spanos is conditioned upon the successful completion of the plan amendment for and rezoning of Lot C.

Source: ECIC.

*Development Conditions/Building Permit Limitations.* Certain provisions of the PFFP for the Folsom Plan Area, as implemented through the tentative subdivision map conditions, place limits on the number of building permits that can be issued before certain facilities and/or backbone infrastructure is in place. These provisions/conditions could, but are not expected to, affect build-out of the Improvement Area.

For example, tentative map conditions require a fire station to be operational prior to the occupancy of the 1,500<sup>th</sup> home in the Folsom Plan Area. See “FOLSOM PLAN AREA—Public Facilities Financing Plan—Public Facilities—the Folsom Plan Area” for details on the City’s plans for construction of the fire station. The City is responsible for building and operating this fire station and would expect to waive or modify this condition as it deems necessary to balance development within the Folsom Plan Area and the increasing fire service needs of the Folsom Plan Area as development progresses.

Also, it is currently anticipated that “Phase 2” water backbone facilities will be needed prior to approximately 2,800 building permits being issued in the Folsom Plan Area. This estimate is based on

projections regarding assumed daily water demand, the expected land use mix within the Folsom Plan Area and other factors. To the extent the actual water demand amounts, land use mix within the Folsom Plan Area and other factors vary from these expectations and assumptions, the “Phase 2” water backbone facilities may be needed sooner or later than the issuance of the 2,800th building permit.

As of July 31, 2020, final maps had been approved and recorded for 1,889 dwelling units. There are currently 2 additional final maps submitted to the City for review with approximately 189 dwelling units. It is anticipated that all of these final maps will be recorded by December 2020, including the 118 dwelling units in Village 10 of the Improvement Area. See “—Development Entitlements—*Water Supply Infrastructure*” below for details on the status of the Phase 2 water pipeline and the current plan for its financing.

Also as of July 31, 2020, 606 building permits had been issued in the Folsom Plan Area for other projects underway, including the City of Folsom Community Facilities District No. 19 (Mangini Ranch) (“CFD 19”), the City of Folsom Community Facilities District No. 20 (Russell Ranch) (“CFD 20”) and the City of Folsom Community Facilities District No. 21 (White Rock Springs Ranch) (“CFD 21”). Collectively, CFD 19, CFD 20, CFD 21 and the Improvement Area are expected to include 4,195 dwelling units, 606 of which have been issued building permits and 1,889 of which have received final map approval. ECIC and the District do not believe that these conditions will materially impede development of the Improvement Area. However, multiple other development projects are underway in the Folsom Plan Area, and if there were an unforeseen and significant delay in construction in the Improvement Area it is possible that other development within the Folsom Plan Area will overtake development of the Improvement Area, resulting in the need for construction of the fire station and Phase 2 water backbone facilities before all building permits could be issued for the Improvement Area.

External access to the project site will be provided via East Bidwell Road to the west, Alder Creek Parkway to the north and Placerville Road to the east. Internal vehicular circulation is accessed from Westwood Drive and Old Ranch Way. Pedestrian circulation is provided by a combination of street separated sidewalks, open space trails, park trails and pathway connections. Proposed on-site improvements include: underground utilities, drainage improvements, retaining walls, driveways, on-street parking, curbs/gutters, sidewalks, pathways, trails, fencing, site lighting, site landscaping, and park enhancements.

The Folsom Ranch Central District Design Guidelines (of which the Improvement Area is a part) were approved by the City concurrent with the Tentative Map approvals on June 23, 2015. The design guidelines provide for the orderly development of the proposed single family residential subdivision. The primary purpose of these design guidelines is to articulate the general architectural and design expectations for the proposed residential neighborhood, the landscapes, hardscapes, open spaces, fencing, entry features and site lighting. The goal of the design guidelines is to establish a regulatory framework for the design of individual homes on the residential lots. The final design details of the homes are subject to review and approval by the City’s Planning Commission as part of a future Design Review application.

*Army Corps of Engineers Wetland Permitting, Biological Opinion, Streambed Alteration Agreements and Section 106 Compliance.* On May 22, 2014, the U.S. Army Corps of Engineers (the “USACOE”) issued a Record of Decision (“ROD”) for the Folsom South of U.S. Highway 50 Specific Plan Project - City of Folsom Backbone Infrastructure. This wetland permit covered the wetland permitting requirements for the entire backbone infrastructure necessary to serve the Folsom Plan Area. To the extent backbone infrastructure was required within a property owner’s land, the backbone wetland permit authorized the filling of waters of the U.S. necessary for such construction. Each landowner thereafter is required to obtain their own wetland permit for the fill of jurisdictional wetlands not included

in the footprint of the backbone wetland permit. As discussed in greater details below, the Folsom Plan Area has received all required environmental permits.

*Development Agreement.* Through City Ordinance No. 1149, the City approved a Tier 1 Development Agreement between the City and the property owners within the Folsom Plan Area on July 12, 2011. The effective date of the ordinance was August 11, 2011. The Tier 1 Development Agreement vests certain rights of the property owners and of the City, commits each party to the agreements to subsequent actions before development may proceed within the Folsom Plan Area. Separate First Amended and Restated Tier 1 Development Agreements (the “ARDAs”) were entered into among certain property owners and the City for their applicable properties, as approved by the City through City Ordinance No. 1211. The ARDAs for the property owners comprising the property within the Improvement Area were recorded in the official records of the County of Sacramento in July 2014. The City entered into Amendment No. 1 to the ARDA with Carpenter East, which was recorded in the official records of the County of Sacramento in January 2016. The City also entered into Amendment Nos. 1 and 2 to the ARDA with Folsom Real Estate South, which were each recorded in the official records of the County of Sacramento in January 2016. See “—Property Ownership.”

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

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

In June 2011, after statutorily required public notice, hearing and comment, the City Council certified as adequate and complete a final EIR/EIS for the Specific Plan for the development of the Folsom Plan Area. The EIR/EIS satisfied both CEQA and the National Environmental Policy Act for the entirety of the Folsom Plan Area. In February 2015, the City Council adopted the South of Highway 50 Backbone Infrastructure Project Initial Study/Mitigated Negative Declaration (Backbone Infrastructure MND), dated December 9, 2014. This CEQA project level document satisfied the required environmental review for the construction of backbone infrastructure for the entire Folsom Plan Area, including the Improvement Area. However, a Specific Plan and General Plan Amendment is required in connection with the development of Lots C and D for the multi-family high density units.

The Folsom Plan Area has received all required environmental permits, including a Section 404 Permit for the entire Folsom Plan Area pursuant to Section 404 of the federal Clean Water Act. This permit allows for any necessary fill of jurisdictional wetlands and streambed alterations for the construction of backbone infrastructure to serve the entire Folsom Plan Area at build-out. In addition, a Biological Opinion has been obtained from the US Fish and Wildlife Service for the entire Folsom Plan Area, together with a California Department of Fish and Wildlife Master Streambed Alteration Permit with conditions for the whole of the Folsom Plan Area. All of the property in the Improvement Area subject to the Special Tax has received its Section 404 Permit and a subnotification approval from the California Department of Fish and Wildlife.

*Water Supply.* The City entered into an agreement (the “Water Supply Agreement”) with the property owners in the Folsom Plan Area providing for a water supply for new development south of US Route 50. The Water Supply Agreement was supported by an addendum to the EIR. The Water Supply Agreement provides adequate water supply for full build out of the Improvement Area and the rest of the Folsom Plan Area (except the portion of the Folsom Plan Area serviced by the El Dorado Irrigation District). The amount of water provided in the Water Supply Agreement to meet the build-out demands of the Folsom Plan Area project is projected to be 5,600 acre-feet annually.

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

- A pre-1914 appropriative water right for 22,000 acre-feet per year (Agreement with Reclamation)
- A pre-1914 appropriative water right for 5,000 acre-feet per year (Co-Tenancy agreement with Golden State Water Company)
- A Central Valley Project (“CVP”) water service contract for 7,000 acre-feet per year (Partial Assignment from Sacramento County Water Agency to the City of Folsom and used in the City’s East Area)

The City’s 22,000 acre-foot entitlement is based on a pre-1914 appropriative right from the South Fork of the American River established by the Natoma Water Company (“Natoma”) in 1851. Natoma’s original pre-1914 water right established a maximum diversion rate “to fill a Canal Eight feet wide and Four feet deep with a current running Ten miles per hour.” This correlates to a diversion rate of 60 cubic feet per second and a maximum allocation of 32,000 afa. This right is held with Golden State Water Company pursuant to a co-tenancy agreement. The City’s 5,000 acre-foot entitlement is also based on Natoma’s pre-1914 appropriative right from the South Fork of the American River. In November 1994, the City executed a contract with Southern California Water Company-Folsom Division (“SCWC”) under which the City acquired the right to lease 5,000 afa (of SCWC’s remaining 10,000 afa under the original Natoma purchase) for an indefinite period. This right is held with Golden State Water Company pursuant to a co-tenancy agreement. This water right was also formally recognized in the settlement agreement between Reclamation and the City. As authorized by Public Law No. 101-514, the City was a subcontractor under Sacramento County Water Agency’s (SCWA) CVP water-service contract for 7,000 afa. In 2016, the United States, the City and SCWA completed an assignment of this portion of SCWA’s CVP water-service contract from SCWA to the City.

Under the agreements with Reclamation for 22,000 afa and 5,000 afa, Reclamation delivers this entire water supply without reduction on a permanent basis. Under the agreement with Reclamation for 7,000 afa of CVP water, this water supply faces possible reductions pursuant to Reclamation’s Municipal and Industrial Water Shortage Policy. In 1994, the City entered into an agreement with Golden State Water Company (f/k/a Southern California Water Company, herein “GSWC”) to acquire the right to divert up to 5,000 acre feet of pre-1914 water rights annually (the “GSWC Agreement”), subject to the terms and conditions of that agreement. Under the GSWC Agreement, the City is required to pay for the

entire 5,000 acre-feet annual water supply regardless of whether the City is able to divert and use that quantity of water. The City has been using the supplies provided in the GSWC Agreement to serve the existing portion of the City known as the “East Area.” The cost of water under the GSWC Agreement has, in the past, been paid for by East Area landowners and water customers.

*Source of Water for the Folsom Plan Area.* The City has determined that its Water Systems Optimization Review Program and implementation of metered rates will provide additional water supplies in an estimated amount of 6,450 acre-feet per year, which is in addition to the present and forecasted demands of the City’s existing water users. The City intends to use a portion of this 6,450 acre-feet per year of available water to meet present and future water demand in the East Area in order to make the 5,000 acre-feet per year of GSWC Agreement water supply available for use in the Folsom Plan Area, on the terms and conditions of that Agreement. To meet this intent, the City has converted the East Area water supply from the GSWC Agreement to the less expensive CVP water service contract. The City would meet the additional build-out water demand of the Folsom Plan Area with approximately 600 acre-feet per year of water produced by the Water Systems Optimization Review Program that is in excess of the water demand in the East Area. The water made available under the GSWC Agreement and Water Systems Optimization Review Program will be sufficient to supply the projected water demand in the Folsom Plan Area. Pursuant to the provisions of Sections 860 *et seq.* of the State Code of Civil Procedure and Government Code Sections 53511 and 53589.5, the City filed a complaint in the Superior Court of the State for the County of Sacramento to validate the agreement. The Superior Court determined that the agreement: (a) is lawful, valid, enforceable and in the best interests of the City and all persons in any way interested therein and (b) is consistent with all applicable laws and obligations, including the Measure W water supply requirement.

The City’s Community Facilities District No. 2013-1 (Water Facilities and Supply) (the “Water CFD”), was formed by the City in 2014. The cost of the GSWC Agreement water will initially be paid for by the Folsom Plan Area through special taxes collected for the Water CFD on certain property in the Folsom Plan Area, including the Improvement Area. When a building permit has been issued and a customer billing account has been established, the developed parcel is no longer subject to the levy of the special tax for the Water CFD and thereafter pays for water through water rates.

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

*Water Supply Infrastructure.* Existing water infrastructure and pipelines run to the north side of US Route 50. For the first phase of infrastructure, the developers of the Folsom Plan Area constructed improvements to connect this water supply and extend water infrastructure pipelines to serve the initial phases of development in the Folsom Plan Area. In a second phase, the Folsom Plan Area developers will be required to construct improvements at the existing City water treatment plant to include a water booster pump station and construct a new water pipeline transmission main from the water treatment plant site into the Folsom Plan Area to serve the area-wide development with potable water. In order for each individual parcel to access that water supply, the developers of those parcels will need to extend infrastructure to their sites.

The extension of the water supply line from Iron Point Road to the Folsom Plan Area boundary at US Route 50 was completed in March 2018. The Phase 2 water pipeline is required to be constructed to provide for expanded water transmission conveyance capabilities to deliver water from the water treatment plant to the Folsom Plan Area once demand reaches the equivalent of approximately 2,800

dwelling units in the Folsom Plan Area. As of July 31, 2020, final maps had been approved and recorded for approximately 1,889 dwelling units. There are currently 2 additional final maps submitted to the City for review with approximately 189 dwelling units. It is anticipated that all of these final maps will be recorded by December 2020, including the 118 dwelling units in Village 10 of the Improvement Area.

The Phase 2 water pipeline is expected to be initially funded by developers within the Folsom Plan Area, SPIF and proceeds from bonds issued for CFD 18 and from a proposed CFD 24. Issuance of CFD 18 bonds is anticipated to occur in time to commence construction on the Phase 2 pipeline and booster pump with enough time to complete construction before cumulative water demand in the FPASP reaches a maximum of 2 million gallons per day. Depending on the pace of absorption, recent estimates assume CFD 18 bonds may be issued when approximately 1,500 – 2,000 residential building permits have been issued. As documented in the CFD No. 18 CFD Hearing Report prepared in connection with the formation of CFD 18, up to \$10.2 million in proceeds from the first CFD 18 bond sale could be available to fund Phase 1 water and sewer facilities (approximately \$3.5 million) and Phase 2 water facilities (approximately \$6.7 million). As described below, the City has considered use of CFD 18 bond proceeds in excess of \$6.7 million for Phase 2 water facilities. In February 2018, the first round of developers within the Folsom Plan Area began conducting alignment studies. As of December 13, 2018, developers within the Folsom Plan Area engaged Hydroscience Engineers for design of the Phase 2 water pipeline. City has commenced environmental review of the proposals. Construction on the Phase 2 pipeline is expected to be completed in three to five years. The Phase 2 water pipeline is projected to cost approximately \$25.5 million, with approximately \$19.5 million funded from CFD 18 proceeds, but may be more or less depending on the market factors, costs of supplies, cost of labor and other factors at the time construction commences. The remaining costs of the Phase 2 water pipeline are expected to be funded through the proposed financing strategy described below, subject to subsequent actions by the City and property owners.

The City has received a request from various developers within the Folsom Plan Area to create CFD 24 to supplement the CFD 18 special tax and help fund the Phase 2 water pipeline. Because the CFD 18 facilities special tax is levied on a parcel once it has been issued a building permit or upon issuance of a final small lot subdivision map (when CFD 18 bond are outstanding), there may not be sufficient CFD 18 bond proceeds to fully fund Phase 2 water facilities when construction would need to commence. Accordingly, the developers have preliminarily requested forming CFD 24 that would impose a separate special tax on each undeveloped property in the Folsom Plan Area. Under the current proposal, the CFD 24 special tax would be levied on each of the undeveloped properties in the Folsom Plan Area until a building permit was issued, at which time that property would no longer be subject to the CFD 24 special tax but would be subject to the CFD 18 special tax. As proposed, a CFD 24 bond sale would provide gap financing for any Phase 2 water facilities not funded through CFD 18 bond proceeds. The City has not yet determined whether CFD 24 will be formed or, if formed, to what extent it will conform to the current request from the developers.

*Wastewater Treatment.* The Sacramento Regional County Sanitation District has an existing wastewater treatment plant with its ongoing and permitted improvement projects projected to accommodate all wastewater from development in the Folsom Plan Area. Existing sewer transmission mains are capable of conveying wastewater from the Folsom Plan Area and initial development sites (including the Improvement Area) to the existing treatment plant.

*Flood Zones.* According to the Federal Emergency Management Agency flood map, the Improvement Area is in Zone X, which consists of areas determined to be outside of the 500-year flood plain.

*Fire Zones.* The Improvement Area is located within an area identified as a moderate fire hazard severity zone. More information regarding Fire Hazard Severity Zones can be found at the California Department of Forestry and Fire Protection website at <https://frap.fire.ca.gov>, though such website is not incorporated herein by reference. The development within the Improvement Area is subject to mitigation measures set forth in a fuel modification plan approved by the City Fire Department. The mitigation measures include, among others, limitations on the type of vegetation that may be planted within fuel modification zones established in open space areas along certain portions of the perimeter of the Improvement Area, minimum setback of structures and irrigation requirements of the fuel modification zones. Maintenance of such zones is expected to initially be the responsibility of the property owners but upon build-out of the Improvement Area and dedication of the open space to the City will be maintained by the City from funds provided through CFD 18. Homeowner's insurance is expected to be available to property owners within the Improvement Area, and the coverage provided by such insurance typically insures against fire damage, although there is no assurance that homeowners within the Improvement Area will purchase or maintain such insurance.

*Affordable Housing.* The City and ECIC entered into an Inclusionary Housing Agreement for the single-family high density and multi-family low density properties in the Improvement Area, which is recorded in the official records of the County of Sacramento and provides for ECIC's compliance with the City's inclusionary housing requirement by payment of an in-lieu fee to the City. Any inclusionary housing plan for Lots C and D would be a separate entitlement and would be conditioned for that project specifically, if required. ECIC is not aware of any proposed inclusionary housing for Lots C and D.

*Utilities.* All typical urban utility services for finished lots will be extended to the lots. These utilities include electric power, natural gas, telephone, cable television, water, refuse, and sanitary sewer and storm water facilities. The City provides water, sewer, refuse and storm water facilities, and police and fire services. Pacific Gas & Electric provides natural gas and the Sacramento Municipal Utility District (SMUD) provides electric service. Comcast provides cable service.

## **Property Ownership**

**The information in this section has been provided by ECIC, Folsom Real Estate South, KB Home Sacramento and Signature Homes. The District and the Underwriter believe this information to be reliable, but can give no assurances that it is accurate or complete.**

**Information in this section is included because it may be considered relevant to some investors to an informed evaluation and analysis of the taxable property within the Improvement Area and any existing or future improvements thereon as security for the Bonds. The information contained in this section does not guarantee that property ownership will not change or that the current or any subsequent property owners will pay the Special Tax when due. In fact, as described herein, ownership of much of the taxable property in the Improvement Area will change prior to development thereof. The Special Tax will constitute a lien on parcels subject to taxation within the Improvement Area and not a personal indebtedness of the owners of property within the Improvement Area. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the District nor any Bond Owner will have the ability at any time to seek payment directly from the owners of property within the Improvement Area of the Special Tax or the principal or interest on the Local Obligations, or the ability to control who becomes a subsequent owner of any property within the Improvement Area.**



The proposed development plan within the District is known as “Improvement Area No. 1.” ECIC and Folsom Real Estate South currently own a majority of the Improvement Area, which is ultimately expected to be developed into 928 residential units (pending the successful completion of the plan amendment for and rezoning of Lot C, as described above). In September 2019, ECIC sold 73 single-family high density lots and 36 multi-family low density lots to KB Home Sacramento, representing the properties in Villages 4 and 8, respectively. In February 2020, ECIC also sold 68 multi-family low density lots to Signature Homes, representing the properties in Village 7. Although ECIC’s sale of the Village 4 and 8 properties and Village 7 properties to KB Home Sacramento and Signature Homes, respectively, have closed, both KB Home Sacramento and Signature Homes have a post-closing obligation to fund certain development costs.

ECIC is currently under contract to sell an additional 118 multi-family low density final mapped lots to Lennar (the “Lennar Purchase and Sale Agreement”), representing the properties in Village 10. Also, ECIC is under contract with Spanos to sell Lots C and D as a finished building pad and utilities for the eventual development of 265 multi-family high density housing units. ECIC’s sale of Lots C and D to Spanos is conditioned upon the successful completion of the plan amendment for and rezoning of Lot C, as discussed above.

ECIC and Folsom Real Estate South are each currently in negotiation, or expect to be in negotiation in the future, with other merchant builders to sell the remaining property in the Improvement Area. Folsom Real Estate South has entered into a signed letter of intent for the parcels in Villages 1 and 2. The related purchase and sale agreement for Villages 1 and 2 is in the process of being finalized, and initial deposits are expected in late November 2020. ECIC has received written offers for each of Villages 3, 5 and 6 but not letters of intent for these properties have been signed. See “PROPOSED PROPERTY DEVELOPMENT—Development Plan and Status of Development” for a discussion of the anticipated sales of the remaining Improvement Area properties to merchant builders.

***Lennar Purchase and Sale Agreement.*** ECIC and Lennar entered into an Agreement of Purchase and Sale dated June 20, 2019. The Village 10 property proposed to consist of 118 multi-family low density residential lots is under contract for sale to Lennar and is expected to close when the lots reach finished lot condition, the final subdivision map is ready to be placed on the City Council agenda, and Lennar has executed the Subdivision Improvement Agreement and posted bonds.

Pursuant to the Lennar Purchase and Sale Agreement, Lennar paid ECIC an “Initial Deposit” of \$400,000. Lennar also made payments of \$2,015,000 and \$3,450,000 representing the “Feasibility Approval Deposit” and the “Blue Top Lot Deposit,” respectively.

The balance of the purchase price will be paid in connection with the closing. ECIC expects that the Village 10 lots will be in a position to close by December 2020.

If the conditions precedent set forth in the Lennar Purchase and Sale Agreement are not satisfied prior to December 31, 2020, then Lennar is entitled to a "Delivery Delay Credit" equal to 12% per annum on the sum of the Initial Deposit, the Feasibility Approval Deposit and the Blue Top Lot Deposit (\$58,650 per month) if ECIC fails to deliver the finished lots by that date. Further, commencing on June 30, 2021, if ECIC has still not delivered the finished lots, Lennar would have the right to terminate the agreement, in which case Lennar would be entitled to the return of all deposits. In the alternative, Lennar could proceed to close on the Village 10 lots, in which case Lennar would be entitled to a holdback in the amount of 110% of the estimated cost to complete the finished lots.

There are several conditions in the Lennar Purchase and Sale Agreement that must be met before the Village 10 lots may close escrow, and ECIC cannot guarantee that it will close the sales of the Village 10 lots to Lennar at the time anticipated and described in this Official Statement, or at all.

*ECIC.* The main developer of the property in the Improvement Area is ECIC, a California limited liability company formed in August 2019. ECIC is comprised of three partnership interests: Class A, Class B and Class C. The Class A participants are comprised of seven different individuals with varying participating membership interests. The Class B member, also the managing member, is HBT ECIC, LLC (“HBT ECIC”). The Class C member is Cargini Investors, which is the land seller and promissory note holder. The members of HBT ECIC include GTFG Mangini, LLC (an affiliate of Goodfellow Bros. California, LLC), William Bunce, John Hagenbuch and John Telischak whom are also principals in projects adjacent to the Improvement Area where they have significant land holdings and control more than 2,000 acres with the potential for more than 8,000 residential units and non-residential land uses.

All decisions of ECIC are made by the appointed officers who are Messers. Bunce (President), Hagenbuch (Vice President) and Telischak (Vice President). Messers. Bunce, Hagenbuch and Telischak also serve as the president, Chairman and Managing Director of WestLand Capital Partners, L.P. (“WestLand”), respectively. The three managers are supported by other staff and consultants of WestLand including Project Managers Rob Aragon and Rick Jordan and CFO Kim Harms. In addition, ECIC retained Development Consulting Services, Inc., a professional construction management company, to oversee the project on a full-time basis. Mr. Bunce, as President, is responsible for all operating decisions but consults regularly with the other officers on most operating decisions and all strategic decisions.

*Folsom Real Estate South:* Folsom Real Estate South, a California limited liability company, currently owns Villages 1 and 2 along with other properties in the Improvement Area not currently expected to be subject to the Special Tax. Folsom Real Estate South is a land investment company that expects to ultimately sell Villages 1 and 2 to merchant builders. Folsom Real Estate South, like ECIC, is managed by Messers. Bunce, Hagenbuch and Telischak.

*KB Home Sacramento:* KB Home Sacramento is a California corporation and a wholly owned subsidiary of KB Home, a Delaware corporation that is traded on the New York Stock Exchange as “KBH.” KB Home’s principal executive offices are located in Los Angeles, California. KB Home is one of the largest and most recognized homebuilding companies in the U.S. and has been building homes for over 60 years, with more than 600,000 homes delivered since its founding in 1957. According to KB Home, during the year ended November 30, 2019, it had operations located in eight states and closed 11,871 homes, an increase of approximately 4.9% compared to 2018. Additional information on KB Home, including Annual Reports and related financial statements, prepared in accordance with generally accepted accounting standards, can be found on the investors relations tab of [www.kbhome.com](http://www.kbhome.com). *This internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.*

*Signature Homes:* FR 68 Lots is a California limited liability company and the owner of the parcels in Village 7 of the Improvement Area. FR 68 Lots is managed by Signature Homes, Inc., a California corporation, and is owned by three separate members, each of which is affiliated with a member of the executive team of Signature Homes, Inc. Due to their affiliation, FR 68 Lots and Signature Homes, Inc. are referred to herein collectively herein as “Signature Homes.” Signature Homes, Inc. is responsible for making the decisions relating to the development of Village 7. Signature Homes,

Inc. is based in Pleasanton, California, has been constructing homes in northern California since 1983 and, as of September 1, 2020, has successfully delivered 13,500 homes. Key decisions for Signature Homes, Inc. are principally made by its executive team, which consists of Jim Ghielmetti, Chairman of the Board and Chief Executive Officer; Gary Galindo, President; Steve Miller, Executive Vice President of Land Acquisition & Forward Planning; Juliann Cretsinger, Vice President of Sales and Marketing; and Rob Buck, Vice President of Operations. Additional information on Signature Homes Inc., including certain biographical information for the executive team, can be found on the “our culture” tab of [www.sighomes.com](http://www.sighomes.com). *This internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.*

## **Development Plan and Status of Development**

**Unless otherwise indicated, the information provided in this section has been provided by ECIC, Folsom Real Estate South, KB Home Sacramento and Signature Homes and has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds and the Improvement Area. No assurance can be given, however, that the proposed development of the property within the Improvement Area will occur in a timely manner or in the configuration or to the density described herein, or that ECIC, Folsom Real Estate South, KB Home Sacramento and Signature Homes, any owners or affiliates thereof, or any other current or subsequent property owners, will or will not retain ownership of its respective property within the Improvement Area. The City, the District and the Underwriter can provide no assurances as to the accuracy of the information in this section.**

ECIC and Folsom Real Estate South have collectively secured entitlements for the development of up to 663 residential lots and 10.67 acres of land proposed for multifamily use in the Improvement Area. At the time of full development, it is anticipated that the Improvement Area will include 441 single-family high density units, 222 multi-family low density units and 265 multi-family high density units (pending the successful completion of the plan amendment for and rezoning of Lot C, as discussed below), for a total of 928 residential units. The Improvement Area is also planned to include an elementary school, a police substation, a fire station, parks and trails. The development plans take advantage of the site’s topography with single-loaded streets through much of the site to maximize scenic vistas of the valley to the west, and open space areas on the property.

The Improvement Area is comprised of eight sequentially numbered “Villages” and three additional lots referred to as “Village 10,” “Lot C” and “Lot D,” respectively. Property within the Improvement Area is in the early stages of development and is anticipated to be completed in three main phases: Phase 2A, Phase 2B and Phase 2C. Phase 2A of development within the Improvement Area includes Villages 4, 7, 8 and 10 and Lots C and D and is entitled for a total of 560 units at the time of full build-out, comprised of 73 single-family high density units, 222 multi-family low density units and 265 multi-family high density units (pending the successful completion of the plan amendment for and rezoning of Lot C, as discussed below). Phase 2B of development includes Villages 1 and 2 and is entitled for a total of 162 single-family high density units at the time of full build-out. Phase 2C of development includes Villages 3, 5 and 6 and is entitled for a total of 206 single-family high density units at the time of full build-out.

There is a pending application for a Specific Plan Amendment, Planned Development and Design Review Permit for the 265 multi-family high density project to be located in Lots C and D. This amendment would rezone Lot C from 58 residential units to 120 residential units. The final

environmental review and conditions of approval are nearing completion, and this project is expected to be scheduled for public hearings in later in 2020.

To date, final maps have been approved and recorded for Villages 4, 7 and 8, and tentative maps have been approved for Villages 1, 2, 3, 5, 6 and 10. For the properties located in Villages 1 through 8 and 10, which are expected to include single-family high density and multi-family low density units, the only remaining discretionary entitlements are design review permits required for future builders and the recordation of small lot final maps (for Villages 1, 2, 3, 5, 6 and 10). ECIC is not aware of any requirements for a final map to be approved for the 265 multi-family high density units on Lots C and D and is not aware of any plans by Spanos to propose a final map for these properties.

*KB Home Sacramento:* Construction of homes on the 109 residential lots within Villages 4 and 8 is anticipated to be completed by KB Home Sacramento as homebuilder. The 109 homes proposed to be constructed within Villages 4 and 8 are expected to be constructed as single-family residential homes with a single product type with 4 different floorplans ranging in square footage from 1,429 to 2,689 and with base prices from \$500,000 to \$630,000. KB Home Sacramento's design review package for the 109 proposed homes was approved by the City on May 6, 2020. KB Home Sacramento submitted its model home architectural plans to the City in July 2020 and expects to obtain building permits and begin construction for the model homes in December 2020 and begin delivering completed homes in September 2021.

*Signature Homes:* Construction of homes on the 68 residential lots within Village 7 is anticipated to be completed by Signature Homes as homebuilder. Signature Homes anticipates that the 68 homes in Village 7 will range in size from 1,940 to 2,417 square feet and will be priced from \$515,900 to \$545,900. Signature Homes' design review package for the 68 proposed homes was approved by the City on June 17, 2020. Signature Homes submitted its model home architectural plans to the City in July 2020 and expects to obtain building permits and begin construction for the model homes in October 2020 and begin delivering completed homes in May 2021.

ECIC expects to develop the property in Villages 1, 2, 3, 5, 6 and 10 and Lots C and D to finished lot condition. ECIC commenced rough grading and improvements on the Phase 2A lots in September 2019 and expects to be completed by the end of 2020. Specifically, the initial grading and improvement of Village 7 is substantially complete, including paved streets, and Village 7 is currently available for model home permits to be issued. Villages 4 and 8 and 10 are under construction and scheduled to be paved in mid-October and November 2020, respectively. ECIC and Folsom Real Estate South anticipate selling their remaining properties, representing Phases 2B and 2C of the development within the Improvement Area, to merchant builders. The occurrence and timing of these sales and the condition in which these properties will be delivered by ECIC or Folsom Real Estate South, as applicable, has not yet been determined and is subject to change. Phase 2B is planned for development in 2021 and Phase 2C is expected to begin development in 2022. The following table is a summary of product types by project phase:

**Table 14**  
**City of Folsom**  
**Communities Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1**  
**Summary of Product Types by Project Phase**

Phase	Builder	Typical Lot Size/Density	Home Size (Estimated Average)	Total Units
<b>Phase 2A</b>				
Village 4	KB Home Sacramento	4,000 square feet	2,256 square feet	73
Village 7	Signature Homes	3,075 square feet	2,000 square feet	68
Village 8	KB Home Sacramento	4,000 square feet	2,000 square feet	36
Village 10	Lennar <sup>(1)</sup>	3,015 square feet	2,000 square feet	118
Lots C and D	Spanos <sup>(2)</sup>	26 units/acre	1,000 square feet	265
<i>Phase 2A Subtotal</i>				<b>560</b>
<b>Phase 2B</b>				
Village 1	To be determined	4,000 square feet	2,256 square feet	88
Village 2	To be determined	4,050 square feet	2,256 square feet	74
<i>Phase 2B Subtotal</i>				<b>162</b>
<b>Phase 2C</b>				
Village 3	To be determined	4,125 square feet	2,256 square feet	53
Village 5	To be determined	4,000 square feet	2,256 square feet	87
Village 6	To be determined	4,000 square feet	2,256 square feet	66
<i>Phase 2C Subtotal</i>				<b>206</b>
<b>Total</b>				<b>928</b>

(1) Lennar has contracted to purchase the Village 10 properties, however the closing of the sale of these properties to Lennar remains subject to certain conditions. See "PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Lennar Purchase and Sale Agreement."

(2) Spanos has contracted to purchase the Lot C and Lot D properties, however the closing of the sale of these properties to Spanos is conditioned upon the successful completion of the plan amendment for and rezoning of Lot C.

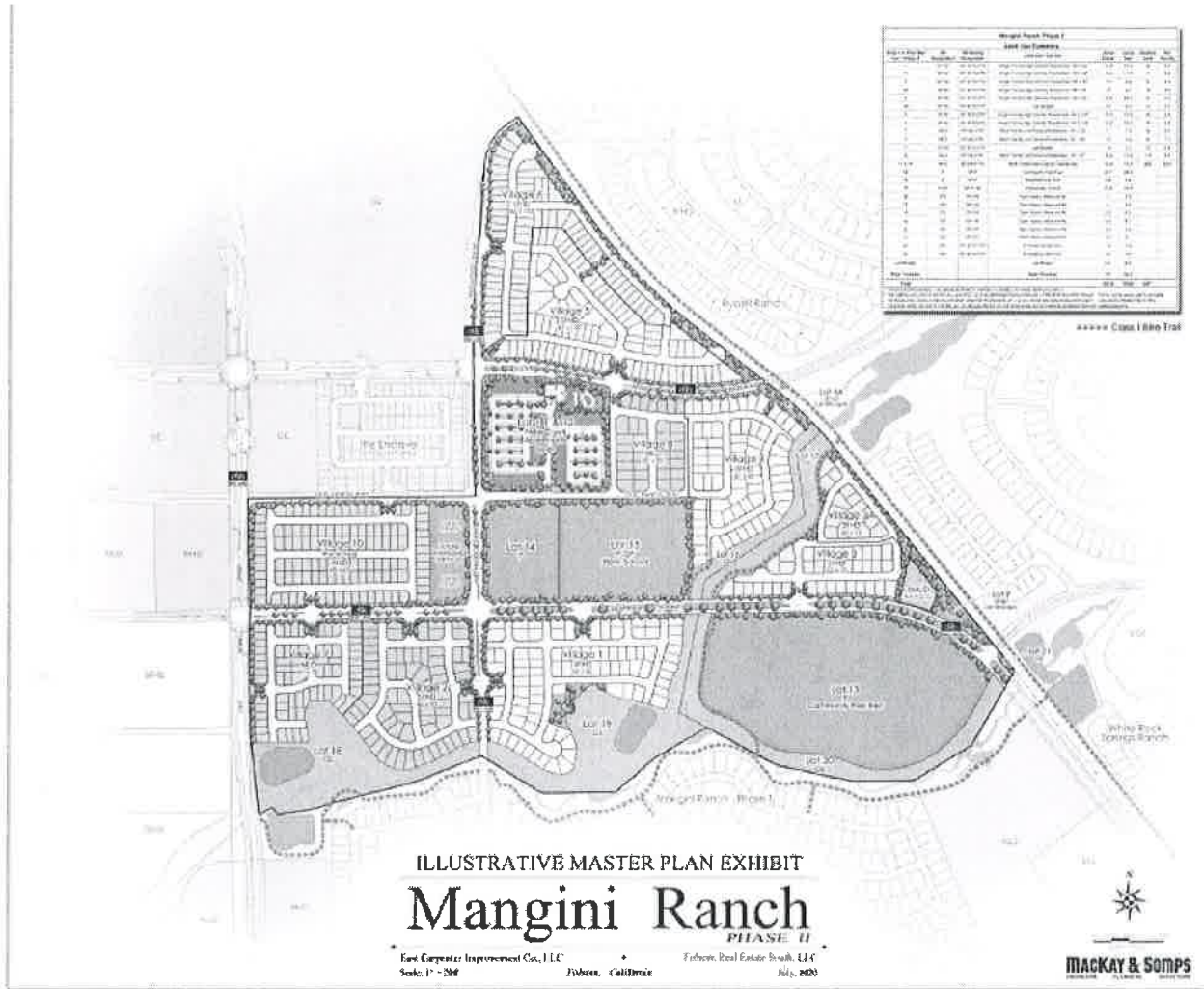
Source: ECIC.

Public project amenities include a future 5.6-acre neighborhood park, a 26-acre community park, an elementary school, a fire station, a police substation and additional acreage for open space. The community will also feature a network of several miles of on- and off-street bicycle and pedestrian trails. While the open space, trails and common area landscaping will be developed by ECIC, the park, fire station, police substation and school sites will be transferred to the City and the Folsom-Cordova Unified School District, respectively, for future development. Additionally, undisturbed natural preserve areas have been set aside to protect sensitive biological habitat and provide passive open spaces throughout the community.

The map on the following page reflects the lot mix and the zoning of development within the Improvement Area reflecting planned development of 928 total units.

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**City of Folsom  
Community Facilities District No. 23 (Folsom Ranch)  
Improvement Area No. 1  
Master Plan**



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## Development Plans of Finance

*ECIC Plan of Finance.* The infrastructure and development of the Improvement Area will be funded through a combination of the following sources:

- (1) ECIC equity
- (2) Proceeds from sale of bonds, including the possible sale of Additional Local Obligations for the Improvement Area
- (3) Proceeds from sales of lots to homebuilders
- (4) Proceeds from school site sale
- (5) Reimbursement of eligible SPIF facilities from the City of Folsom

In addition to residential lot sales, ECIC will receive proceeds from the sale of an approximately 10-acre elementary school site. The Folsom Cordova Unified School District (FCUSD) intends to purchase the 10-acre elementary school site at a time to be determined by the FCUSD. There are no agreements in place with respect to the FCUSD's acquisition of the school site at this time.

ECIC entered into a Cost Sharing Agreement with the property owner of an adjacent project known as the Enclave ("Enclave") for common backbone improvements serving both the Enclave and ECIC's properties. Under the Cost Sharing Agreement, ECIC and Enclave retained Goodfellow Construction as the general contractor for the public improvements associated with East Bidwell Street, Alder Creek Parkway, Westwood Drive, Old Ranch Way and Hydromod Basin #19, each located within the Improvement Area. Goodfellow Construction provided construction financing for this work under a tri-party loan agreement with ECIC and Enclave. Construction of the \$19.3 million of improvements, of which ECIC is responsible for \$8.5 million, began in May 2019 with final inspections conducted in July 2020.

The construction loan from Goodfellow Construction was secured by a Deed of Trust on certain parcels owned by ECIC and Enclave. ECIC's Deed of Trust secured a loan facility of up to \$5.5 million for ECIC's portion of the common infrastructure. In September 2019, ECIC also retained Goodfellow Construction to act as general contractor to develop other public infrastructure required for the development of the balance of ECIC's property. Goodfellow Construction also provided construction financing for these additional improvements, and the original \$5.5 million Deed of Trust was amended and increased to correspond to a maximum loan facility of \$20 million for the delivery of the Phase 2A development.

Another source of funds will come from reimbursement of eligible SPIF improvements or fee credits. ECIC will provide fee credits to future builders within the Improvement Area. However, it is anticipated that ECIC will have outstanding reimbursements of approximately \$2.3 million after all available fee credits have been applied to builders within the Improvement Area. ECIC would receive reimbursement from the City on a priority based upon when the eligible improvements were constructed. Additionally, ECIC intends to sell fee credits to other builders within the Folsom Plan Area as provided in the Development Agreement.

As of June 30, ECIC had incurred total development costs of \$12.6 million for the Phase 2A work. When combined with its share of the Enclave offsite improvements, ECIC's Phase 2A total construction budget is \$40.1 million, of which \$20.5 million has been incurred through June 30, 2020. The remaining \$19.6 million is expected to be incurred through the end of 2020 to ensure delivery of the 265 single-family residential lots in Phase 2A and the 10.67-acre multifamily parcel (Lots C and D).

As of June 30, ECIC had initiated civil improvement plan design for Phase 2B, which includes the extension of Savannah Parkway to the eastern boundary of Village 1 and the completion of Westwood Drive for the portion between the CFD 19 terminus and the Enclave offsite limits of work. The grading and improvement costs for these roadways are estimated at \$12.3 million, plus \$2.0 million of estimated soft costs. Phase 2C includes the completion of Savannah Parkway to Grand Prairie Drive and the Alder Creek Parkway and Westwood Drive frontage improvements adjacent to Villages 5 and 6. The Phase 2C backbone costs are estimated at \$7.7 million, plus \$1.2 million of soft costs. In total, there are \$23.2 million of remaining grading and backbone costs for Phases 2B and 2C.

The following tables describe ECIC’s plan of finance, including its estimated sources and uses of funds for Phase 2A (Table 15) and a detailed listing of the estimated overall and remaining construction hard costs for Phase 2A (Table 16) and the estimated grading and backbone and subdivision improvements for Phases 2B and 2C, including both hard costs and soft costs (Table 17).

**Table 15**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1 – Phase 2A**  
**ECIC Plan of Finance – Sources and Uses of Funds**  
**(amounts in thousands)**

<u>Cash Sources</u>	2019	2020	2021	2022	2023	Total
Partnership Interest Contribution	3,571	-	-	-	-	3,571
Lot Sale Revenue	10,955	18,632	5,800	17,625	-	53,012
Construction Progress Payments	1,851	13,450	-	-	-	15,301
CFD #23 Proceeds	-	13,000	-	-	8,638	21,638
School Site Sale	-	-	-	-	5,600	5,600
Fee Credits	-	-	-	-	2,373	2,373
Construction Loan	9,867	27,790	2,264	7,220	-	47,141
<b>Total cash sources</b>	<b>26,244</b>	<b>72,872</b>	<b>8,064</b>	<b>24,845</b>	<b>16,611</b>	<b>148,636</b>
<u>Cash Uses</u>	2019	2020	2021	2022	2023	Total
Land Acquisition	5,000	-	1,500	3,500	8,000	18,000
Interest On Seller Financing	94	332	821	807	404	2,458
Construction Costs	10,598	27,950	1,373	3,720	-	43,641
Interest on Construction Loan	142	612	-	-	-	754
Repayment of Construction Loan	1,709	35,948	2,264	7,220	-	47,141
Sales Commissions	82	288	73	219	71	733
Lot Closing Costs	39	183	58	176	56	512
Soft/Miscellaneous Costs	2,881	5,977	1,238	7,401	187	17,684
<b>Total cash uses</b>	<b>20,545</b>	<b>71,290</b>	<b>7,327</b>	<b>23,043</b>	<b>8,718</b>	<b>130,923</b>
<b>Increase (Decrease) for period</b>	<b>5,699</b>	<b>1,582</b>	<b>737</b>	<b>1,802</b>	<b>7,893</b>	<b>17,713</b>
Cash at beginning of year	-	5,699	7,281	8,018	9,820	-
<b>Cash available for Partnership Interest Distributions</b>	<b>5,699</b>	<b>7,281</b>	<b>8,018</b>	<b>9,820</b>	<b>17,713</b>	<b>17,713</b>



Note: "Construction Progress Payments" refer to the payments made by KB Home Sacramento and Signature Homes to ECIC under the respective purchase and sale agreements and post-closing license agreements in connection with the delivery of finished lots.

Source: ECIC.

**Table 16**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1 – Phase 2A**  
**ECIC Plan of Finance – Construction Hard Costs**

Description	Revised Project Budget	Total Funded to Date	Balance to Fund
<b>USE OF FUNDS</b>			
<b>Construction Hard Costs</b>			
<b>GBCA - Enclave Cost Sharing</b>			
General Conditions	239,359.85	232,006.84	7,353.01
Mass Grade (Onsite, Westwood & Old Ranch)	157,541.01	158,019.74	(478.73)
Old Ranch Road	619,134.50	613,488.17	5,646.33
Westwood Drive	375,304.59	374,718.44	586.15
Alder Creek Parkway	1,345,862.84	1,342,887.43	2,975.41
East Blvdwell	1,464,839.36	1,430,254.42	34,584.94
Hydromod Basin #19	633,907.60	633,907.60	0.00
Joint Trench	1,163,882.81	1,163,882.80	0.01
Delta 1 Change Order	2,056,965.05	2,056,965.06	(0.01)
Delta 2 Change Order	503,613.86	416,065.68	87,548.18
Retention	0.00	(560,334.66)	560,334.66
Rounding	(0.04)	(0.34)	0.30
<b>Sub-total GBCA - Enclave Cost Sharing</b>	<b>8,560,411.43</b>	<b>7,861,861.18</b>	<b>698,550.25</b>
<b>GBCA - Mangini Ranch Phase 2</b>			
Village 4	2,409,957.44	1,070,728.32	1,339,229.12
Village 8	1,161,621.09	541,871.00	619,750.09
Village 7	2,976,563.77	1,272,103.00	1,704,460.77
Old Ranch Way	1,000,463.18	397,381.00	603,082.18
AA Drive	594,452.26	152,870.00	441,582.26
West Savannah	1,582,713.84	327,840.50	1,254,873.34
Village 10	4,221,833.63	37,500.00	4,184,333.63
<b>Earthwork</b>	<b>6,235,276.68</b>	<b>5,141,429.40</b>	<b>1,093,847.28</b>
General Conditions	1,464,108.55	854,988.22	609,120.33
Construction Contingency	1,726,386.35	0.00	1,726,386.35
Overhead/Markup	2,582,664.59	1,253,781.81	1,328,882.78
Retention	0.00	(431,449.80)	431,449.80
<b>Sub-total GBCA - Mangini Ranch Phase 2</b>	<b>25,956,041.38</b>	<b>10,619,043.45</b>	<b>15,336,997.93</b>
<b>Other Sub-Contractors</b>			
BTI-Mass Grading	1,036,261.78	1,036,261.78	0.00
BTI-Wet Utilities	922,470.00	735,089.82	187,380.18
Rock Crushing	227,500.00	204,438.19	23,061.81
Soundwalls	850,000.00	0.00	850,000.00
Retaining Walls	1,033,240.00	0.00	1,033,240.00
Landscaping	1,432,400.00	0.00	1,432,400.00
<b>Sub-total Other Sub-Contractors</b>	<b>5,501,871.78</b>	<b>1,975,789.79</b>	<b>3,526,081.99</b>
<b>Total Construction Hard Costs</b>	<b>40,018,324.59</b>	<b>20,456,694.42</b>	<b>19,561,630.17</b>

**Table 17**  
**City of Folsom**  
**Community Facilities District No. 23 (Folsom Ranch)**  
**Improvement Area No. 1 – Phases 2B and 2C**  
**ECIC Plan of Finance – Grading and Backbone and Subdivision Improvement Costs**

Phase 2B		
<u>Grading &amp; Backbone Improvements</u>		<u>Est. Cost</u>
Mass Grading		\$ 2,400,000
Erosion Control / SWPPP		\$ 600,000
Hydromod Basin 23		\$ 896,000
Westwood Drive		\$ 2,962,125
Savannah Parkway		\$ 4,210,875
General Conditions		\$ 1,250,000
<b>Subtotal Grading &amp; Backbone</b>		<b>\$ 12,319,000</b>
<u>Subdivision Improvements</u>	<u>Lots</u>	
Village 1	88	\$ 4,532,625
Ret Walls		\$ 500,000
Village 2	74	\$ 3,849,750
Ret Walls		\$ 350,000
<b>Subtotal Subdivisions</b>		<b>\$ 9,232,375</b>
Total Improvement Costs		\$ 21,551,375
Soft Costs (Allowance)	15%	\$ 3,232,706
<b>Total Development Costs</b>		<b>\$ 24,784,081</b>

Phase 2C		
<u>Grading &amp; Backbone Improvements</u>		<u>Est. Cost</u>
Mass Grading		\$ 500,000
Erosion Control / SWPPP		\$ 150,000
Alder Creek Parkway		\$ 1,250,000
Westwood Drive (1)		\$ 850,000
Savannah Parkway		\$ 4,138,875
General Conditions		\$ 750,000
<b>Subtotal Grading &amp; Backbone</b>		<b>\$ 7,638,875</b>
<u>Subdivision Improvements</u>	<u>Lots</u>	
Village 3	53	\$ 2,835,000
Ret Walls		\$ 250,000
Village 5 & 6	153	\$ 7,500,000
Ret Walls		\$ 250,000
<b>Subtotal Subdivisions</b>		<b>\$ 10,835,000</b>
Total Improvement Costs		\$ 18,473,875
Soft Costs (Allowance)	15%	\$ 2,771,081
<b>Total Development Costs</b>		<b>\$ 21,244,956</b>

(1) Costs are for landscaping and concrete frontage improvements only. Assumes Westwood Drive is constructed by others.

*KB Home Sacramento Plan of Finance.* KB Home Sacramento expects to use home sales revenue and internally generated funds to complete its site development and home construction of its property within the Improvement Area. Through August 31, 2020, KB Home Sacramento estimates that it has incurred approximately \$14.2 million on developing its property in the Improvement Area, including land acquisition and site development costs. KB Home Sacramento anticipates expending an additional approximately \$41 million to complete the acquisition and development of its property within the Improvement Area, including, without limitation, the costs to complete site development and construction of all 109 proposed homes and market and sell all such homes to individual homebuyers.

Although KB Home Sacramento expects to have sufficient funds available to complete its planned development in the Improvement Area as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining land acquisition, development and home construction costs will be available from KB Home Sacramento or any other source when needed. While KB Home Sacramento has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither KB Home Sacramento, nor any of its related entities are under any legal obligation of any kind to expend funds or obtain loans for land acquisition or the development of and construction of homes on its property in the Improvement Area. Any contributions by KB Home Sacramento to fund the costs of such land acquisition or development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by KB Home Sacramento within the Improvement Area and other financing by KB Home Sacramento is not put into place, there could be a shortfall in the funds required to complete the planned development by KB Home Sacramento of its property in the Improvement Area.

*Signature Homes Plan of Finance.* Signature Homes expects to use internally generated funds to complete its site development and home construction of its property within the Improvement Area. Signature Homes has also secured a loan from Housing and Capital Company sufficient to fund the development costs of its property in the Improvement Area. Through July 22, 2020, Signature Homes estimates that it has incurred approximately \$6.73 million on developing its property in the Improvement Area, including land acquisition and site development costs. Signature Homes anticipates expending an additional approximately \$3.56 million to complete the development and anticipates spending an additional \$25.7 million to complete construction of all 68 proposed homes and market and sell all such homes to individual homebuyers.

Although Signature Homes expects to have sufficient funds available to complete its planned development in the Improvement Area as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining land acquisition, development and home construction costs will be available from Signature Homes or any other source when needed. While Signature Homes has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Signature Homes, nor any of its related entities are under any legal obligation of any kind to expend funds or obtain loans for land acquisition or the development of and construction of homes on its property in the Improvement Area. Any contributions by Signature Homes to fund the costs of such land acquisition or development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by Signature Homes within the Improvement Area and other financing by Signature Homes is not put into place, there could be a shortfall in the funds required to complete the planned development by Signature Homes of its property in the Improvement Area.

*Backbone and Common Infrastructure.* As described above, ECIC is underway on completing the onsite backbone and common infrastructure for development Phase 2A. As of July 31, 2020, ECIC had spent a total of \$23.1 million on these improvements, including its share of the Enclave common backbone and infrastructure improvements, and anticipates spending an additional \$17.3 million before the end of the year to finalize the development of the Phase 2A properties. See “—Development Plan and Status of Development.”

As of June 30, 2020, ECIC had initiated civil improvement plan design for Phase 2B, which includes the extension of Savannah Parkway to the eastern boundary of Village 1 and the completion of Westwood Drive for the portion between the CFD 19 terminus and the Enclave offsite limits of work. The grading and improvement costs for these roadways are estimated at \$12.3 million plus \$2.0 million of estimated soft costs. Phase 2C includes the completion of Savannah Parkway to Grand Prairie Drive and the Alder Creek Parkway and Westwood Drive frontage improvements adjacent to Villages 5 and 6. The Phase 2C backbone costs are estimated at \$7.7 million plus \$1.2 million of soft costs. In total, there are \$23.2 million of remaining grading and backbone costs for Phases 2B and 2C.

*Subdivision Improvements.* Remaining infrastructure for development of the Improvement Area includes intract infrastructure such as underground utilities, subdivision roadways, street lighting, soundwalls and landscaping improvements. Such intract improvements are being constructed by ECIC.

The total subdivision improvements in the Improvement Area are estimated at \$23.0 million, including all design, construction staking, plan check, inspection, habitat mitigation and other project related soft costs.

*Specific Plan Infrastructure Fee Credits and Improvements.* The SPIF is administered by the City for the purposes of collecting impact fees for plan area wide improvements for the construction of roadways, water, sewer, drainage, dry utilities, recycled water and habitat mitigation in the Folsom Plan Area. The purpose of the SPIF is to require each landowner to pay its fair share of Folsom Plan Area area-wide improvements and to be reimbursed for any amount expended in excess of a landowner’s fair share requirement. Under the terms of the SPIF Ordinance adopted by the City, property owners in the Folsom Plan Area will be eligible to enter into an agreement with the City and receive future reimbursements (that are convertible to fee credits for use within the owner’s property) in exchange for the construction of eligible SPIF improvements. Based on the amount of improvements eligible for SPIF reimbursement, all of the properties within the Improvement Area are anticipated to fully cover their SPIF obligations through the conversion of these SPIF reimbursements to SPIF fee credits. After applying the SPIF reimbursements as SPIF fee credits to all properties in the Improvement Area, all amounts expended in excess of the project’s SPIF obligation are expected to be reimbursed from the City as other SPIF fees are collected in the Folsom Plan Area.

Within the Folsom Plan Area, initial development will be required to pay a “SPIF Set-Aside” component to address initial water and sewer facility costs. This is a loan of SPIF collections to help the cash flow for the initial water and sewer costs. It will be repaid or equalized to all properties through the SPIF program as well as through CFD 18. The SPIF Set-Aside will apply to the first 2,500 Folsom Plan Area dwelling units that would be subject to the SPIF. A portion of the SPIF will be required to be paid regardless of whether a developer/property owner has advance-funded eligible SPIF infrastructure and has executed a Fee Reimbursement Agreement through the City. An exception to this rule is that a property owner who constructs certain water or sewer infrastructure for which the SPIF Set-Aside is being collected may take a credit against the SPIF Set-Aside. This is applicable to ECIC in relationship to prior entities controlled by WestLand having advance-funded Phase 1 water and sewer costs for which the SPIF Set-Aside was created to partially fund.

ECIC has purchased SPIF Set-Aside credits from Mangini Improvement Company (“MIC”), which retains the rights to the SPIF Set-Aside reimbursements from facilities that were constructed in CFD 19. The transfer or sale of the SPIF Set-Aside credits is allowed under the terms of the Development Agreement(s) affecting the Improvement Area. MIC and ECIC have entered into a separate agreement to sell SPIF Set-Aside credits to ECIC, which in turn, will transfer the SPIF Set-Aside credit to its homebuilders.

In addition, in August 2020, the City approved an ordinance amending certain provisions of the SPIF ordinance to include a new SPIF – Offsite Water Set-Aside. This new SPIF – Offsite Water Set-Aside will be payable at the building permit stage and will not be eligible to be offset by fee credits.

### **CERTAIN RISKS TO BONDHOLDERS**

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

#### **Risks of Real Estate Secured Investments Generally**

The owners of the Bonds 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, 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 ECIC, Folsom Real Estate South, KB Home Sacramento, Signature Homes, any of the other property owners or any future homeowners within the Improvement Area will pay the Special Tax in the future or that they will be able to pay such Special Tax on a timely basis. See “— Bankruptcy” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels. Further, many homes within the Improvement Area will have a higher-than-average price point as compared to other homes in the region, which may impact the absorption of the residential units within the Improvement Area.

#### **Levy of the Special Tax**

The principal source of payment of debt service on the Local Obligations, from which funds for the payment of the Bonds are derived, is the proceeds of the annual levy and collection of the Special Tax against property in the Improvement Area. The annual levy of the Special Tax is subject to the Maximum Special Tax rates authorized within the Improvement Area. The levies cannot be made at higher rates even if the failure to do so means that the estimated proceeds of the levy and collection of the Special

Tax, together with other available moneys, will not be sufficient to pay debt service on the Local Obligations. Other funds which might be available include funds derived from the payment of delinquent Special Tax and funds derived from the tax sale or foreclosure and sale of related Taxable Property on which levies of the Special Tax are delinquent.

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

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

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

### **Collection of Special Tax**

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

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

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