

In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming (among other things) compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences caused by ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

\$20,135,000
CITY OF ROSEVILLE
NORTH ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 1998

Dated: September 15, 1998

Due: September 1, as shown below

The City of Roseville North Roseville Community Facilities District No. 1 Special Tax Bonds Series 1998 (the "Bonds") are being issued by the City of Roseville (the "City") by and through its North Roseville Community Facilities District No. 1 (the "District") to acquire a portion of certain public facilities of benefit to the District, to establish a reserve fund with respect to the Bonds and to pay the costs of issuance of the Bonds.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Interest on the Bonds is payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 1999. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Trust Company, National Association, San Francisco, California, as the fiscal agent, registrar and transfer agent (the "Fiscal Agent") for the Bonds, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "THE BONDS—Book-Entry System."

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS—Redemption."

The Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, *et seq.* of the California Government Code (the "Act"), and are being issued pursuant to a Fiscal Agent Agreement, dated as of September 1, 1998 (the "Fiscal Agent Agreement"), by and between the City and the Fiscal Agent. The Special Tax will be collected in the same manner and at the same time as *ad valorem* real property taxes are collected by the County Tax Collector of Placer County, State of California.

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owner shall be able to pay the Special Tax or that it shall pay such Special Tax even though financially able to do so.

THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR PURCHASE PRICE OF THE BONDS IS NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE CITY. THE GENERAL FUND OF THE CITY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE MONEY IN THE SPECIAL TAX FUND DESCRIBED HEREIN. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE CITY COUNCIL NOR THE CITY NOR ANY OFFICER OR EMPLOYEE THEREOF SHALL BE LIABLE FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS OTHER THAN FROM THE PROCEEDS OF THE SPECIAL TAX AS PROVIDED IN THE FISCAL AGENT AGREEMENT.

The Bonds will initially be sold to institutional investors.

This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the Bonds.

MATURITY SCHEDULE

\$4,435,000 5.20% Term Bonds Due September 1, 2007—Price 100%
\$15,700,000 5.75% Term Bonds Due September 1, 2023—Price 100%

(plus accrued interest)

The Bonds are offered when, as and if issued, subject to approval as to their legality by Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Nossaman, Guthner, Knox & Elliott, LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by Luce, Forward, Hamilton & Scripps LLP, San Diego, California. It is anticipated that the Bonds will be available for delivery to DTC on or about October 6, 1998 in New York, New York.

Stone & Youngberg LLC

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the Bonds 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 the City.

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 to be construed as a representation of such by the City, the District or the Underwriter. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or the property owners within the District, or in the property within the District since the date hereof. The summary of the Fiscal Agent Agreement and certain other documents and agreements herein are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is made hereby to the Fiscal Agent Agreement and such documents on file with the Fiscal Agent for further information. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Fiscal Agent Agreement.

In connection with this offering, the Underwriter may over allot 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 cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

CITY OF ROSEVILLE, CALIFORNIA

City Council

Claudia Gamar, *Mayor*
Harry Crabb, *Mayor Pro Tempore*
Randy Graham, *Councilmember*
Jim Gray, *Councilmember*
Pauline Roccucci, *Councilmember*

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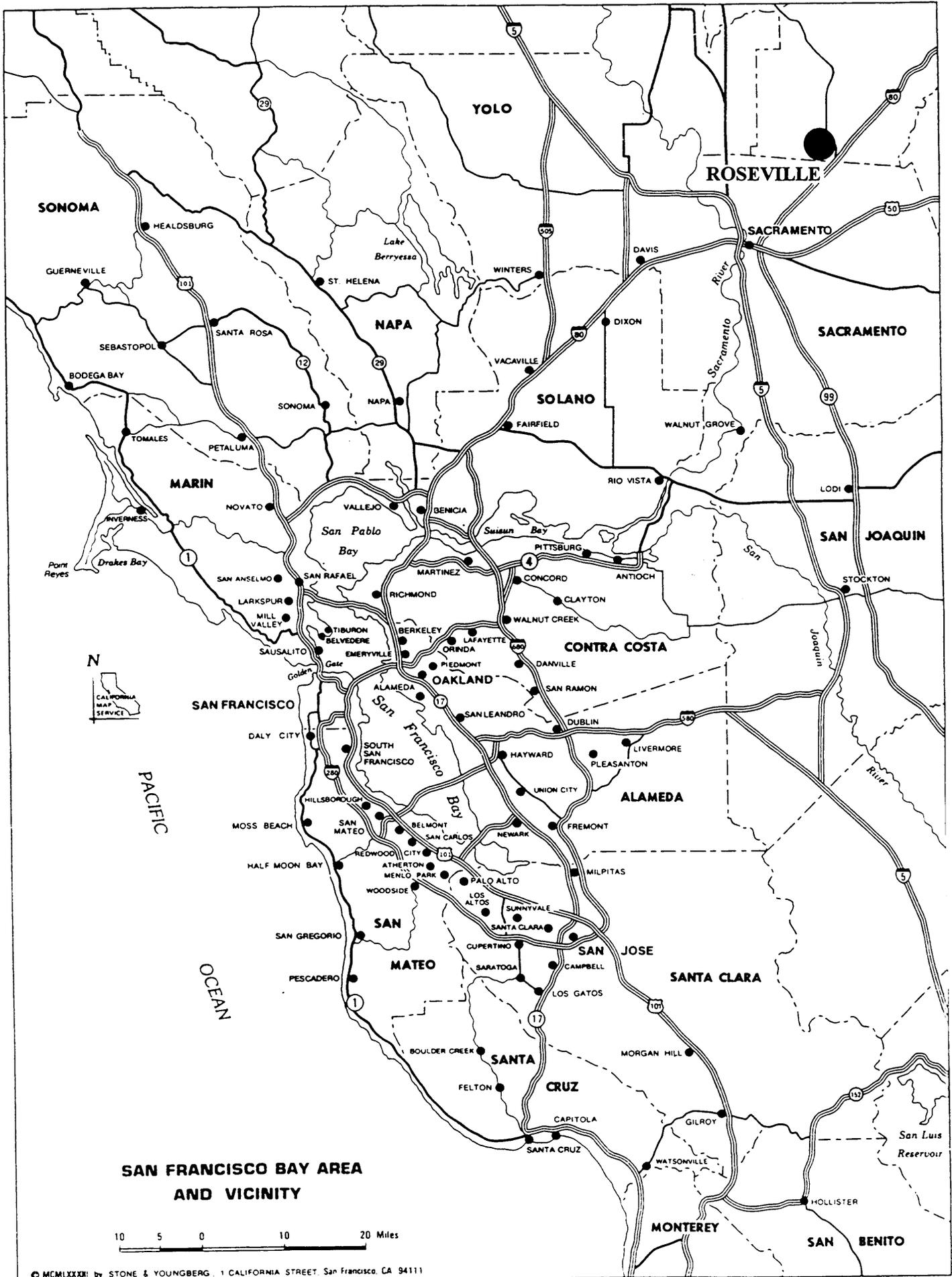
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LOCATION MAP



SAN FRANCISCO BAY AREA AND VICINITY

OFFICIAL STATEMENT

**\$20,135,000
CITY OF ROSEVILLE
NORTH ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 1998**

INTRODUCTION

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Roseville (the "City") by and through its North Roseville Community Facilities District No. 1 (the "Community Facilities District" or the "District") of \$20,135,000 aggregate principal amount of bonds designated City of Roseville North Roseville Community Facilities District No. 1 Special Tax Bonds Series 1998 (the "Bonds"). The Bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311 *et seq.* of the California Government Code (the "Act"), a Fiscal Agent Agreement, dated as of September 1, 1998 (the "Fiscal Agent Agreement"), by and between the City and U.S. Trust Company, National Association, as fiscal agent (the "Fiscal Agent") and Resolution No. 98-328 (the "Resolution") adopted on September 2, 1998 by the City Council of the City (the "City Council") which authorized the issuance of the Bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City.

The Bonds shall be issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, without coupons, in the denomination of \$5,000 or any integral multiple thereof and shall be dated as of and bear interest from September 15, 1998, at the rate or rates set forth on the cover page hereof. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "THE BONDS — Book-Entry System."

The Act was enacted by the California Legislature to provide a method of financing certain public facilities and services, especially in developing areas. Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a vote of electors or landowners in the district and compliance with the provisions of the Act, a community facilities district

may issue bonds and may levy and collect special taxes within such district to repay such bonded indebtedness.

Pursuant to the Act, the City Council adopted Resolution No. 97-358 on December 17, 1997, as amended by Resolution No. 98-182 on June 9, 1998, stating its intent to establish the District, to authorize the issuance of bonds and to have the election held pursuant to the Act. The four landowners who then comprised the qualified electors of the District authorized the District, by passing the ballot measure, to incur bonded indebtedness in an amount not to exceed \$25,000,000 to finance the Improvements (defined herein) and approved the rate and method of apportionment of Special Tax for the District (the "Special Tax" or "Special Taxes"). The City has covenanted not to issue any additional bonds secured by the Special Tax in the District other than the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The City is located about 16 miles northeast of Sacramento, the State capital, and 110 miles east of San Francisco in California's Sacramento Valley, near the foothills of the Sierra Nevada. With a population of 66,900 as of January 1998, Roseville is the largest city in Placer County in addition to being its residential and industrial center. The City was incorporated April 10, 1909. The City adopted its first charter in 1934 and its present charter in 1955.

The property in the District consists of undeveloped land located in the northwesterly portion of the City. Property in the District and surrounding area has historically been utilized for livestock grazing and limited dry farming. During the past 20 years, the area has been experiencing a transition from largely undeveloped, agriculturally oriented uses toward a mixture of urban land uses, and this transition has particularly intensified during the past 10 years. The predominant approved urban land use within the area is single-family residential and such use was propagated largely by development beginning in 1989 within the Northwest Roseville Specific Plan area, an adjacent City planning area which lies directly south of the District.

The properties in the District represent 734 acres and constitute the initial portion of land contemplated to be developed under the North Roseville Specific Plan (the "North Roseville Specific Plan"); a land use plan which was adopted by the City Council on August 6, 1997 by Resolution No. 97-213, as amended on June 30, 1998 by Resolution No. 98-240. All of the land within the District is undeveloped and planned for development as set forth in the North Roseville Specific Plan. See "THE DISTRICT — The North Roseville Specific Plan." As approved, a maximum of 2,474 dwelling units are allowed within the District, including a maximum of 400 attached housing units proposed to be developed as the 52-acre Eskaton Village senior living campus (described below), supporting a forecasted population of approximately 5,868 residents. See "THE DISTRICT — Anticipated Subdivision Maps and Commencement of Development in the District." The four owners of property within the District at the time it was formed contemplate selling their property to homebuilders, holding portions of their property for long-term investment purposes or developing their property as contemplated by the City in the North Roseville Specific Plan. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT — Sale of Property Within the District" below.

The Bonds are being sold to provide the City with a portion of the funds needed to (i) acquire roadway, sewer, water and drainage facilities, acquire land for a school site, and other public improvements (the "Improvements" as more particularly described herein) required for development within District, (ii) establish a reserve fund with respect to the Bonds, and (iii) pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS." The amount of Bond proceeds

or other security deposited into the Reserve Fund upon issuance of the Bonds will equal the "Reserve Requirement," which is the lesser of 10% of the original principal amount of the Bonds or (ii) 100% of maximum annual debt service on the Bonds, or (iii) 125% of average annual debt service on the Bonds. Preliminary work on the construction of the Improvements to be financed with proceeds of the Bonds commenced in July 1998. **The cost of the Improvements will exceed the amount available from Bond proceeds to pay for the Improvements and no assurance can be given that the excess moneys needed to complete the Improvements will be available. See "THE IMPROVEMENTS — Sources of Funds for Improvements" below. See also "SPECIAL RISK FACTORS — Possibility of Insufficient Funds to Complete Improvements."**

The Bonds will be sold initially only to institutional investors.

See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

The City and the Developers (described herein) have covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE."

Brief descriptions of the Bonds, the sources of payment for the Bonds, the City, the District, Special Risk Factors, the Fiscal Agent Agreement, the Appraisal, the CFD Financing Plan and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement and other documents are qualified in their entirety by reference to each such document and the information with respect thereto included in the Bonds, such Fiscal Agent Agreement and other documents.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Fiscal Agent Agreement, approved by Resolution No. 98-328 adopted by the City Council on September 2, 1998 and the Act.

The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$25,000,000 at a special election in the District held on June 9, 1998 pursuant to the Act. Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the City's Resolution No. 98-184 on June 9, 1998 (the "Resolution of Formation"), the qualified electors were the landowners who were entitled to cast one vote for each acre or portion of an acre of land owned within the District. The landowners who comprised the qualified voters in the District voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Improvements, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See "THE

DISTRICT" herein. The City has covenanted not to issue any additional bonds secured by the Special Tax in the District other than the Bonds.

Description of the Bonds

The Bonds will be issued only as one fully registered Bond for each maturity without coupons in the denomination of \$5,000 or any integral multiple thereof, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "THE BONDS — Book-Entry System" below. The Bonds will be dated as of and bear interest from September 15, 1998, at the rates and mature in the amounts and years, as set forth on the cover page hereof. The principal of the Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of U.S. Trust Company, National Association (the "Fiscal Agent") in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds.

Interest on the Bonds, computed on the basis of a 360-day year consisting of twelve 30-day months, will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 1999. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds shall be made by wire transfer, or such other method acceptable by the Fiscal Agent, to the Depository. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "Book-Entry System" below.

Redemption

Optional Redemption. The Bonds shall be subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as shall be specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, 2007, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2007 to and including and September 1, 2008	102%
March 1, 2009 to and including and September 1, 2009	101
March 1, 2010 and thereafter	100

Mandatory Redemption From Prepayments. The Bonds shall be subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as shall be specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, 1999 to and including and September 1, 2003	103%
March 1, 2004 to and including and September 1, 2008	102
March 1, 2009 to and including and September 1, 2009	101
March 1, 2010 and thereafter	100

The proceeds of any such Prepayment shall be deposited in the Prepayment Account of the Bond Fund and applied by the Fiscal Agent to pay the redemption price of the Bonds.

Mandatory Sinking Fund Redemption. The Term Bonds maturing September 1, 2007 are subject to mandatory sinking payment redemption in part on September 1, 1999, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

<u>Mandatory Redemption Date (September 1)</u>	<u>Sinking Fund Payment</u>	<u>Mandatory Redemption Date (September 1)</u>	<u>Sinking Fund Payment</u>
1999	\$435,000	2004	\$510,000
2000	415,000	2005	535,000
2001	435,000	2006	565,000
2002	460,000	2007 (maturity)	595,000
2003	485,000		

The Term Bonds maturing September 1, 2023 are subject to mandatory sinking payment redemption in part on September 1, 2008 and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Mandatory Redemption Date <u>(September 1)</u>	Sinking Fund <u>Payment</u>	Mandatory Redemption Date <u>(September 1)</u>	Sinking Fund <u>Payment</u>
2008	\$625,000	2016	\$ 975,000
2009	660,000	2017	1,030,000
2010	700,000	2018	1,090,000
2011	740,000	2019	1,155,000
2012	780,000	2020	1,220,000
2013	825,000	2021	1,290,000
2014	875,000	2022	1,365,000
2015	925,000	2023 (maturity)	1,445,000

The amounts in the foregoing tables shall be reduced pro rata, in order to maintain substantially level debt service, as a result of any prior partial optional redemption or mandatory redemption of the Bonds from prepayments.

In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, of the Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate. Upon surrender of Bonds redeemed in part only, the City shall

execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of Bonds

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds shall be made in accordance with DTC procedures. See "THE BONDS — Book-Entry System." Any Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of Bonds shall be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond shall become mutilated, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent who shall deliver a certificate of destruction thereof to the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the Fiscal Agent and the City satisfactory to the Fiscal Agent shall be given, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section and of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity,

and will be deposited with DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by

standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

The City cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the City will execute, and the Fiscal Agent will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the following provisions would apply: the principal of and redemption premium, if any, on the Bonds will be payable at the corporate trust office of the Fiscal Agent in San Francisco or Los Angeles, California, and interest on the Bonds will be payable by check mailed on each interest payment date to the registered owners thereof as shown on the registration books of the Fiscal Agent as of the close of business on the 15th day of the calendar month immediately preceding the applicable Interest Payment Date. Bonds will be transferable and exchangeable on the terms and conditions provided in the Fiscal Agent Agreement. See "THE BONDS — Transfer and Exchange of Bonds" above.

ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the Bonds, exclusive of accrued interest, follows:

Estimated Sources of Funds:	
Principal Amount of Bonds	<u>\$20,135,000</u>
Total	\$20,135,000
Estimated Uses of Funds:	
Deposit to Construction Account	\$18,114,247
Deposit to Reserve Fund	1,528,863
Costs of Issuance (1)	<u>491,890</u>
Total	\$20,135,000

(1) Includes fees of Bond Counsel, initial fees, expenses and charges of the Fiscal Agent, costs of printing the Official Statement, administrative fees of the City, Underwriter's discount and other costs of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Taxes

A Special Tax applicable to each taxable parcel in the District shall be levied and collected according to the tax liability determined by the City Council through the application of the Rate and Method of Apportionment of the Special Tax (the "Special Tax Formula") prepared by Economic & Planning Systems, Inc., Sacramento, California (the "Special Tax Consultant") and set forth in APPENDIX A hereto for all properties in the District. As the parcels are subdivided for development, a portion of the Special Tax will be allocated to each subdivided parcel according to the Special Tax Formula. Interest and principal on the Bonds is payable from the annual Special Taxes to be levied and collected on property within the District, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the Rebate Fund) and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds may be paid, is strictly limited by the maximum rates approved by the qualified electors within the District which are set forth as the "Maximum Special Tax" in the Special Tax Formula. Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount, not in excess of the Maximum Special Tax. The Special Taxes and any interest earned on the Special Taxes shall constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and shall be held in trust for the benefit of the owners thereof and shall be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Annual Costs (as defined in the Special Tax Formula) among the taxable parcels of real property within the District according to the rate and methodology set forth in the Special Tax Formula. See "Special Tax Methodology" below. See also "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Special Taxes are exempt from the property tax limitation of Article XIII A of the California Constitution, pursuant to Section 4 thereof as a "special tax" authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City pursuant to the Act in an amount determined according to a methodology approved by the City. See "Special Tax Methodology" below and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The City has covenanted to annually levy, beginning in fiscal year 1998-99, the Special Taxes in an amount sufficient to pay the Annual Costs. For fiscal year 1998-99, the City has levied the Special Tax at the Maximum Special Tax rate authorized by the qualified electors within the District as set forth in the Special Tax Formula. Because each Special Tax levy is limited to the Maximum Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the foregoing amount will in fact be collected in any given year. See "SPECIAL RISK FACTORS — Insufficiency of Special Taxes" herein. The Special Taxes are collected for the City by the County of Placer in the same manner and at the same time as *ad valorem* property taxes.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula (defined terms set forth below in this section have the meanings set forth in the Special Tax Formula) set forth in "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Each year, the City will approve the costs of the District for the upcoming fiscal year. The annual costs will include the following items (i) debt service on the Bonds; (ii) replenishment of the Reserve Fund; (iii) anticipated Special Tax delinquencies; (iv) administration of the District; and (v) reimbursements for eligible advanced-funded District facilities.

Until all the Developer "gap" funding contributions (as described under the caption "THE IMPROVEMENTS — Sources of Funds for the Improvements") and additional costs paid by the Developers as a result of approved construction change orders are reimbursed to the Developers, each parcel will be taxed at its maximum rate. In the years after the reimbursable costs are funded, the costs funded by the levy of the Special Tax will be determined by adding the annual cost of the items listed as (i) through (iv) above and subtracting other available revenues. The City will then apply the Special Tax Formula to determine the tax levy for each parcel.

Parcels Subject to the Special Tax. The City will prepare a list of the parcels subject to the Special Tax using the records of the City and the County Assessor. The City will tax all parcels within the District except tax-exempt parcels and parcels that have prepaid their special tax obligations as described in the Special Tax Formula. Taxable parcels that are acquired by a public agency after the District is formed will remain subject to the Special Tax unless a "trade" resulting in no loss of tax revenue can be made, as described in the Special Tax Formula.

Assignment of Maximum Special Tax. The Special Tax Formula describes in detail the precise method for assigning the Maximum Special Tax to parcels within the District, which generally provides that each year the Administrator will use the definitions contained in the Special Tax Formula to classify each Parcel as tax-exempt or taxable. The Special Tax Formula assigns a total maximum tax to the existing Original Parcels and then reallocates the tax to Successor Parcels based on pro rata share of net developable area. If a parcel is subdivided into single-family residential lots, the Maximum Special Tax

is divided equally among the subdivided lots. If one of these lots is designated and/or sold as a low-income purchase lot, the Maximum Special Tax per lot is multiplied by a reduction factor to arrive at the Maximum Special Tax for that lot.

Termination of the Special Tax. The special tax will be levied and collected for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct the Improvements and to pay the Annual Costs. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal Year 2034-35. When all annual costs incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. Landowners may permanently satisfy all or a portion of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions (capitalized terms have the meanings set forth in the Special Tax Formula):

- The Parcel is a whole Original Parcel greater than one acre or a Successor Parcel greater than ten acres.
- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on outstanding bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.
- Prior to the calculation of the prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

The prepayment amount shall be established by following the procedures described in the Special Tax Formula. Once Bonds are sold, parcels wishing to prepay must prepay their share of outstanding Bonds; parcels wishing to prepay prior to the sale of Bonds may pay the allocated amount of anticipated construction proceeds plus any costs incurred by the City in the formation of the District and the calculation or application of the prepayment proceeds.

Special Tax Fund

When received, the Special Taxes are required under the Fiscal Agent Agreement to be deposited into a Special Tax Fund to be held by the City in trust for the benefit of the City and the Owners of the Bonds. Moneys in the Special Tax Fund shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the owners of the Bonds.

No later than the Business Day prior to each Interest Payment Date, the City shall withdraw from the Special Tax Fund and transfer monies in the following order or priority: (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date, (iii) to the

City, amounts needed to pay the City Administrative Expenses; provided that such transfers shall not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for Administrative Expenses, and (iv) to the City for disbursement to the owners of land within the District or other appropriate party as determined by the City, an amount of Special Taxes not in excess of the portion of Special Taxes collected for pay-as-you-go expenditures for authorized improvements or reimbursement thereof, as described in the definition of "Annual Costs" in the Rate and Method of Apportionment of Special Taxes with respect to the District and adopted by the City Council of the City.

Moneys in the Special Tax Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the respective Special Tax Fund to be used for the purposes thereof.

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

The Special Tax will be collected in the same manner and the same time as *ad valorem* property taxes, except at the City's option, the Special Taxes may be billed directly to property owners. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in superior court to foreclose any lien therefor.

The City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 of each year review the public records of the County of Placer relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if the City determines on the basis of such review that the amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, it will within 30 days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in the District for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; *provided*, that if the City determines on the basis of such review that (a) the amount so collected is deficient by less than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, but that property owned by any single property owner in the District is delinquent by more than \$3,000 with respect to the Special Tax due and payable by such property owner in such Fiscal Year, or (b) that property owned by any single property owner in the District is delinquent cumulatively by more than \$5,000 with respect to the current and past Special Tax due (irrespective of the total delinquencies in the District) then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against each such property owner. The Treasurer shall notify the City Attorney of any such delinquency of which it is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

Foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale for a minimum price which will be sufficient to pay or reimburse the delinquent Special Taxes.

The owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement, however, if delinquencies in the payment of the Special Taxes with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure

proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the maximum limits set forth in the Special Tax Formula, the City may adjust (but not to exceed the maximum limits) the Special Taxes levied on all property within the District to provide an amount required to pay interest on the Bonds and to replenish the Reserve Fund.

Under current law, a judgment debtor (property owner) has at least 140 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the County. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor's filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments.

Reserve Fund

In order to secure further the timely payment of principal of and interest on the Bonds, the City is required to maintain on deposit in the Reserve Fund held by the Fiscal Agent an amount set forth in the Fiscal Agent Agreement equal to the "Reserve Requirement," which is the lesser of 10% of the original principal amount of the Bonds, 100% of maximum annual debt service on the Bonds, or 125% of average annual debt service on the Bonds. The City is required to maintain an amount of money or other security equal to the Reserve Requirement in the Reserve Fund at all times that the Bonds are outstanding. All amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Finance Director. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of the principal of and interest on the Bonds, except that investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the federal government to comply with rebate requirements.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and make any other transfer required under the Fiscal Agent Agreement, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

Moneys in the Reserve Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment of moneys in the Reserve Fund shall be retained in the Reserve Fund.

Levy of Maximum Special Tax

The City has agreed in the Acquisition Agreements (described herein) to levy the Maximum Special Tax on all parcels in the District until all of the Developer "gap" funding contributions and additional related costs as a result of approved change orders have been reimbursed. See "THE IMPROVEMENTS - Sources of Funds for the Improvements - Reimbursable "Gap" Funding" below. The Maximum Special Tax Levy for 1998-99 for the entire District is \$2,204,299 which provides annual debt service coverage on the Bonds of approximately 145% for fiscal year 1998-99. After such reimbursement to the Developers, the City contemplates that the Maximum Special Tax will not continue to be levied, however the City may levy the Maximum Special Tax if such levy is in accordance with the Special Tax Formula. See "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS — Special Tax Methodology" above. See also APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

DEBT SERVICE SCHEDULE

The annual debt service on the Bonds based on the interest rates and maturity schedule set forth on the cover of this Official Statement is set forth in the below.

NORTH ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1 SPECIAL TAX BONDS Debt Service

<u>Year Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 435,000	\$1,089,294.50	\$1,524,294.50
2000	415,000	1,110,750.00	1,525,750.00
2001	435,000	1,089,170.00	1,524,170.00
2002	460,000	1,066,550.00	1,526,550.00
2003	485,000	1,042,630.00	1,527,630.00
2004	510,000	1,017,410.00	1,527,410.00
2005	535,000	990,890.00	1,525,890.00
2006	565,000	963,070.00	1,528,070.00
2007	595,000	933,690.00	1,528,690.00
2008	625,000	902,750.00	1,527,750.00
2009	660,000	866,812.50	1,526,812.50
2010	700,000	828,862.50	1,528,862.50
2011	740,000	788,612.50	1,528,612.50
2012	780,000	746,062.50	1,526,062.50
2013	825,000	701,212.50	1,526,212.50
2014	875,000	653,775.00	1,528,775.00
2015	925,000	603,462.50	1,528,462.50
2016	975,000	550,275.00	1,525,275.00
2017	1,030,000	494,212.50	1,524,212.50
2018	1,090,000	434,987.50	1,524,987.50
2019	1,155,000	372,312.50	1,527,312.50
2020	1,220,000	305,900.00	1,525,900.00
2021	1,290,000	235,750.00	1,525,750.00
2022	1,365,000	161,575.00	1,526,575.00
2023	1,445,000	83,087.50	1,528,087.50

THE DISTRICT

General

On December 17, 1997, the City Council adopted an initial Resolution of Intention to form a community facilities district under the Act, to levy a Special Tax and to incur bonded indebtedness for the purpose of financing the Improvements. This Resolution of Intention was superceded by an Amended Resolution of Intention adopted on June 9, 1998. After conducting a noticed public hearing, on June 9, 1998, the City Council adopted the Resolution of Formation, which established North Roseville Community Facilities District No. 1 (the "District"), set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed

\$25,000,000. The City has covenanted not to issue any additional bonds secured by the Special Tax in the District.

On June 9, 1998 an election was held within the District in which the four landowners eligible to vote unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. 100% of the eligible votes were cast, and 100% of the votes cast were "yes." The four unrelated owners of property within the District at the time it was formed contemplate subdividing the property, primarily for residential use in accordance with the North Roseville Specific Plan, and selling parcels to merchant builders, or lots to homeowners as contemplated by the City in the North Roseville Specific Plan (described below), or holding portions of their property for long-term investment purposes. Sammis and Diamond Creek (each described below) each have commenced marketing its land within the District; Sammis anticipates closing the sale of an approximate 30-acre parcel to a homebuilder in October 1998 and Diamond Creek anticipates multiple sales to homebuilders in late 1998 or early 1999. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Location of the District

The District is located in the northwestern portion of the City partially contiguous to the City's northwest border and is bisected by Blue Oaks Boulevard between Foothills Boulevard and Fiddymont Road in a developing area of the City. Blue Oaks Boulevard is a primary east-west traffic arterial which connects the District to State Highway 65 and ultimately to the Interstate 80 freeway system. The District is located approximately one and one-quarter miles west of State Highway 65 via Blue Oaks Boulevard. The Interstate 80 freeway is located approximately three miles southeast of the State Highway 65/Blue Oaks Boulevard junction and merges with State Highway 65 at an interchange system.

Parcels in the District are essentially contiguous and together comprise an elongated, generally rectangular expanse of undeveloped land encompassing a gross area of approximately 734.30 acres. The location area has historically been utilized for livestock grazing and limited dry farming. The topography is primarily flat and covered by grasslands, with minimal tree coverage. Pleasant Grove Creek and its south branch, both intermittent creeks, traverse and lie partly adjacent to and within the District. Sloping topography and native oak woodlands are typical near and within the riparian areas and scenic corridors.

During the past 20 years, the areas adjacent to the District have experienced a transition from largely undeveloped, agriculturally oriented uses toward a mixture of urban land uses, and this transition has particularly intensified during the past 10 years. Property in the District is partially bordering new single-family residential developments which have been recently constructed as part of development within the Northwest Roseville Specific Plan area, which lies directly south of the District, beginning in 1989. Construction of housing within this specific plan area has generally spread from Baseline Road and Foothills Boulevard on the south and east, respectively, to and beyond Woodcreek Oaks Boulevard on the west. Located to the west and southwest of the District, development within the Del Webb Specific Plan area of the City began in 1994 and the age-restricted, housing community therein is nearly sold out. All of the property in the District is designated as Phase 1 of the two-phase area within the North Roseville Specific Plan, described below.

The District is bordered on the north and east by the Sunset Industrial Area (in unincorporated Placer County) and the North Industrial Planning Area of the City. These areas collectively encompass approximately 10,000 acres and are recognized as a significant existing and potential employment base within the region, and include the approximate 487-acre Hewlett-Packard and approximate 154-acre

NEC Electronics existing facilities in the North Industrial Planning Area. Expansion of both of these facilities has occurred over the years, and each company holds additional vacant land. Currently, these two firms collectively employ approximately 7,000. Development of these campuses initially began in 1978 and 1982, respectively, and each has significant frontage on Foothills Boulevard. The Hewlett-Packard campus also lies contiguous to the easterly boundaries of the District south of Blue Oaks Boulevard. Developments located on the north side of Blue Oaks Boulevard include the existing 171-acre Foothills Center Business Park and the proposed 98-acre Roseville Technology Park, which lies partially contiguous to the easterly boundary line of the District. The County area lying adjacent to the District to the northwest is currently undeveloped and will likely remain so for several years as the necessary infrastructure has yet to be extended, and other more readily developable land has yet to be absorbed.

An aerial photograph of the vicinity of the District and a diagram of the major parcels in the District are shown on the following pages.

The North Roseville Specific Plan

The District constitutes the approximate 734-acre Phase 1 of the two-phase North Roseville Specific Plan, as amended (the "North Roseville Specific Plan"), which was adopted by the City Council on August 6, 1997 by Resolution No. 97-213, as amended on June 30, 1998 by Resolution No. 98-240. The North Roseville Specific Plan area includes all properties in the north and west side of the City which at the time of its adoption was not zoned for urban use or previously included in a specific plan and designates the Phase 1 land area as Neighborhood A and Neighborhood B and the Phase 2 land area (not included in the District) as Neighborhood C and Neighborhood D. All of the land within the District is undeveloped and planned for development as set forth in Phase 1 of the North Roseville Specific Plan.

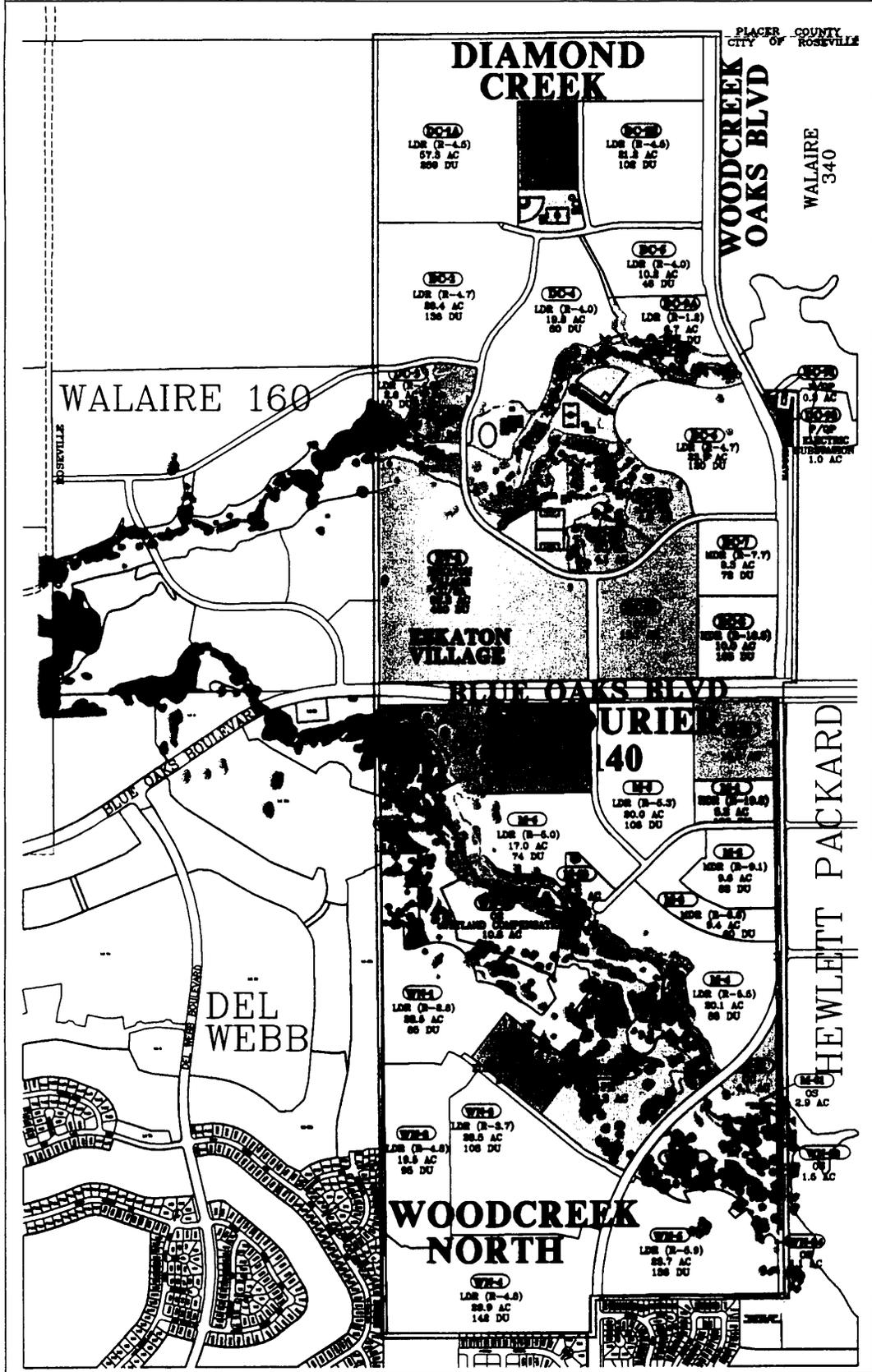
Development within the North Roseville Specific Plan Area began in the summer of 1998 with the initial construction of the infrastructure improvements within Phase 1, which are a portion of the improvements to be financed in part with proceeds of the Bonds. As approved, a maximum of 2,474 dwelling units including a maximum of 400 attached housing units proposed to be developed in the Eskaton Village senior living campus (described below) are allowed within Phase 1 of the North Roseville Specific Plan area, supporting a forecasted population of approximately 5,868 residents. The current owners of property within the District contemplate developing their property as contemplated by the City in the North Roseville Specific Plan and pursuant to the development agreements entered into between the City and each of the Developers. See "Anticipated Development Under the North Roseville Specific Plan" below.

THE DISTRICT
(Phase 1 North Roseville Specific Plan)



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NORTH ROSEVILLE SPECIFIC PLAN



	100 Year Flood Limit		Perennial Stream		CC		MDR		P/QP		BP
	Preserve Boundary		Tree Canopy		HDR		LDR		OS		PR
	Bike Path										

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The North Roseville Specific Plan combines a land use and circulation plan, affordable housing program, resource management strategy, development standards and an integral, comprehensive infrastructure plan in a single document and provides for a mix of residential neighborhood (including a retirement community offering attached dwelling units, assisted living units and skilled nursing facilities), schools, parks, and supporting commercial land uses located adjacent to a major regional employment center. The proposed land uses are predominantly residential, recreational and open space. The plan also includes sites for retail and professional services, including specialty retail, restaurants, and office uses overlooking the natural creeks adjacent to the proposed Diamond Creek and Pleasant Grove parks.

Phase 1 and Phase 2 of the North Roseville Specific Plan area encompasses a total area of approximately 1,388 acres. *Land designated as Phase 2 of the North Roseville Specific Plan is not included in the District.* Phase 2 involves two noncontiguous parcels of undeveloped land encompassing a total area of approximately 654 acres. These parcels are owned or controlled by two of the entities owning property in Phase 1 (Mourier Land Investment Corporation and Sammis Roseville Associates, as described below) but are currently designated as Urban Reserve by the City of Roseville, which designates lands that are anticipated to receive urban land use entitlements in the future. The North Roseville Specific Plan includes a conceptual land-use plan for Phase 2 that proposes the eventual development of 2,575 dwelling units in Phase 2. Zoning and entitlements needed to develop these portions of the project area require future approval by the planning commission and the City Council, as well as amendment of the North Roseville Specific Plan and the approval of development agreements. Phase 2 includes a 161-acre tract of undeveloped land located on the northern side of Blue Oaks Boulevard and contiguous to the westerly boundary lines of the District and anticipated to be developed with a total of 561 low to medium-density dwelling units in conjunction with a 493-acre property located south of the Del Webb Specific Plan area. The City projects development of Phase 2 may begin by the end of 2000; however, no assurance can be given that such projection accurately reflects what will actually occur.

Phase 1 properties of the North Roseville Specific Plan constitute the property within the District and are currently owned by four entities: Mourier Land Investment Corporation and John Mourier Construction, Inc. (collectively, "Mourier"), Sammis Roseville Associates ("Sammis"), Eskaton Properties, Inc. ("Eskaton") and Diamond Creek Partners, Ltd. ("Diamond Creek"), except that Diamond Creek sold Parcels DC-6 and DC-7 to a non-developer owner in August 1998. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT — Sale of Property Within the District" below. Mourier, Sammis, Eskaton and Diamond Creek are herein referred to as the "Developers." In 1994, Eskaton acquired its property in the District from Diamond Creek. The Diamond Creek and Eskaton properties form Neighborhood A and the Mourier and Sammis properties form Neighborhood B. The diagram on the prior page shows the Phase 1 property, together with the ownership references shown in the North Roseville Specific Plan.

Land use and zoning entitlements provided by the North Roseville Specific Plan differ between Phase 1 and Phase 2. Phase 1 includes full land-use entitlements including a general plan amendment, specific plan amendment, rezone, design guidelines and a development agreement between the City and each owner. This permits development of the property to proceed through approval of subsequent development entitlements such as subdivision maps and design review permits.

Land comprising Phase 2 of the North Roseville Specific Plan is not within the District. Phase 2 currently retains Urban Reserve land use and zoning. Granting of land use, zoning and other

entitlements to Phase 2 would require future approval by the City, including amendment to the North Roseville Specific Plan and approval of development agreements.

The North Roseville Specific Plan CFD No. 1 Financing Plan

In connection with the adoption of the North Roseville Specific Plan and the formation of the District, the City caused to be prepared by Economic & Planning Systems, Inc., Sacramento, California (the "Special Tax Consultant") the North Roseville Specific Plan CFD No. 1 Financing Plan (the "CFD Financing Plan") dated June 9, 1998. The CFD Financing Plan described the land uses within the District, the public facilities to be funded and the method of allocating facility costs among the major projects contemplated in the North Roseville Specific Plan. The CFD Financing Plan identifies the infrastructure costs associated with development according to the North Roseville Specific Plan to be approximately \$22.4 million, contemplated to be funded as follows: (i) approximately \$17.9 million from Bond proceeds, (ii) approximately \$2.0 million from cash contributions by Diamond Creek and Mourier to buydown maximum Special Tax rates, and (iii) approximately \$2.5 million in cash contributions by the Developers that are to be reimbursed from future Special Tax collections. *Since the date of the CFD Financing Plan, the City has agreed that the cash contributions described in (ii) and (iii) may be funded by the Developers from sources other than cash.* See "THE IMPROVEMENTS" below. See also "SPECIAL RISK FACTORS — Possibility of Insufficient Funds to Complete Improvements" below.

Anticipated Development Under the North Roseville Specific Plan

Development within the District is anticipated by the Developers to be consistent with the North Roseville Specific Plan Phase 1 land uses, which primarily consists of residential neighborhoods and supporting uses such as schools, parks, recreation, open space and supporting commercial land uses. Permitted land uses are primarily single-family detached residential and are configured to retain the majority of the existing oak woodlands, most of which are located within and near the riparian portions of the project area and designated as open space in the specific plan.

As approved, a maximum of 2,474 dwelling units are allowed within the District. A relatively small amount of area (approximately 98 acres total) is designated in Phase 1 for various types of commercial use, a substantial portion of which (52 acres) is to be developed by Eskaton as the Eskaton Village senior-living campus, a retirement community that also offers assisted living and skilled nursing facilities to its resident members. Within the non-Eskaton properties, a network of smaller subdivisions will be developed largely with a mixture of single- and multifamily housing products. Overall, these housing products will be constructed in a fashion consistent with the character and composition of other such developments in the neighborhood and the city at large. Of the estimated 81.80 acres of oak woodlands identified in Phase 1, 69.20 acres (approximately 85%), are within designated open-space areas and are slated for preservation.

Currently proposed single-family residential developments in the District involve a variety of typical lot sizes ranging from 3,500 square feet (Parcel M-2) to 30,000 square feet (Parcel DC-9A). However, the bulk of the typical lot sizes range from 6,000 to 7,700 square feet, which is considered to be within a "standard" lot classification both in the City and generally throughout the region. This range in typical lot sizes within the City usually equates to a density of between four to five dwelling units per acre. All typical urban utility services are available to be extended to the properties, including electric power, natural gas, telephone, cable television, water, and sanitary and storm sewerage facilities.

The following table provides a summary of land uses related to the properties located within the District. See also the table under the caption "Development Agreements" below.

**North Community Facilities District No. 1
Summary of Land Uses**

<u>Land use</u>	<u>Gross Acres</u>	<u>Dwelling Units</u>
Low-Density Residential (LDR)	370.9	1,654
Medium-Density Residential (MDR)	18.9	155
High-Density Residential (HDR)	15.4	265
Community Commercial (CC)	93.8	
Eskaton Village (52.2 acres - CC)		400
Business-Professional Office (BP)	4.4	
Parks (PR)	79.2	
Public/Quasipublic (P/QP)	39.6	
Open Space (OS)	80.2	
Major Road Rights-of-Way	<u>31.9</u>	
TOTALS	734.3	<u>2,474</u>

Source: North Roseville Specific Plan.

Property within the District has full land-use entitlements consistent with the zoning designations set forth above. The entitlements permit a development proposal related to a particular parcel to proceed through tentative map subdivision and design-review permitting processes to final mapping provided the development application is in accord with the entitlements. See "Development Agreements" below. With respect to the developable portions of the properties, the following table summarizes the uses considered by the City to be consistent with the relevant zoning designations:

**North Community Facilities District No. 1
Summary of Developable Land Use Zoning**

<u>Land Use Classification</u>	<u>Zoning Designation</u>	<u>Permitted Density/Use(s)</u>
Single-Family Residential	R1 (low density)	0.50-6.90 dwelling units per acre.
	R2 (medium density)	7.00-12.90 dwelling units per acre.
Multifamily Residential	R3 (high density)	13.00 dwelling units per acre or greater.
Community Commercial	CC	Allows a variety of shops and services intended to meet the daily shopping needs of residents and plan area employees. Development of Eskaton Village is also permitted within the CC zone.
Business-Professional	BP	Offices, church, or similar office appropriate use.
Public/Quasipublic	P/QP	Schools and an electric substation.

Eskaton Village. The Eskaton Village development approved under the North Roseville Specific Plan is anticipated to be a campus-like setting encompassing several levels of residential and institutional services for seniors in a manner that supports wellness, encourages independence, and enhances the continuum of care. Proposed accommodations include single- and multi-story configurations consisting of clustered or attached residences, apartments, assisted-living apartments, a nursing facility, and an adult day-care center to be connected by a network of interior roads and walking paths. A community center, forming the hub of the campus, will house major common areas and administrative offices.

Landscaped grounds will encourage both active (e.g. walking, croquet, gardening) and passive (observational) recreation. See "Anticipated Subdivision Maps and Commencement of Development in the District — Eskaton Property" below. Eskaton's facility in nearby Carmichael is representative of the type of physical project planned for its property in Roseville. Eskaton Village is in a Community Commercial Special area zone within the City. This zone allows, among other things, up to 400 attached dwelling units, 200 assisted living units and a 100-bed skilled nursing facility under the North Roseville Specific Plan.

Diagrams of the land-use classifications of the individual parcels comprising the land within the District are summarized on the following pages.

Development Agreements

The City, subject to the provisions of the North Roseville Specific Plan, has executed project development agreements and a first amendment thereto (each, including amendments thereto, a "Development Agreement") with each of the four Developers as the original North Roseville Specific Plan Phase 1 land owners, in accordance with the City's Zoning Ordinance No. 802. The Development Agreements are the primary implementation tool for the specific plan and are binding contracts between the City and the land owner which set the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the North Roseville Specific Plan entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreements have 20-year terms, run with the property, and may be modified only by mutual consent of the City and the Developer and in a manner consistent with the North Roseville Specific Plan. With the Development Agreements in place, construction of homes within the District may occur upon City approval of a subdivision map and certain design requirements.

Land use and development entitlements granted under the Development Agreements for property in the District is consistent with the North Roseville Specific Plan described under the caption "The North Roseville Specific Plan" above and summarized below.

**City of Roseville
North Roseville Community Facilities District No. 1
Land Use Summary**

Property Ownership	Project Name	Gross Acres	Net Developable Acres	No. of Residential Units/Density ⁽¹⁾	Com'l Use	Assessor's Parcel Number
Diamond Creek	Diamond Creek	308.8	227.32	997 (ld,md,hd)	Yes	017-112-035 017-112-036
Mourier	Mourier 140	140.5	97.74	511 (ld,md,hd)	Yes	017-230-009
Eskaton	Eskaton	52.2	52.2	400 (hd)	No	017-112-038
Sammis	Woodcreek North	232.9	130.34	566 (ld)	No	017-230-038 017-230-039 017-230-040
Subtotal		734.4	507.60	2,474		

(1) Land Use Index: ld: low density residential; md: medium density residential; hd: high density residential; com: commercial; bp: business park; see the table "Summary of Developable Land Use Zoning" above under the caption "Anticipated Development Under the North Roseville Specific Plan" for more zoning information.

Development of the property in the District requires construction of substantial capital improvements, including the new roadways, utilities, storm drain facilities, and other public facilities. The Development Agreements each set forth as an exhibit the capital facilities required to be constructed as a condition of development as well as certain contributions which are required to be made by each Developer as a portion of the cost of certain public works affected by development. The capital facilities required to be constructed and the contributions to the cost of the public works collectively comprise the improvement project (herein, the "Improvements" as described under the heading "THE IMPROVEMENTS" below) to be financed in part from Bond proceeds. **Construction of the necessary capital improvements is proposed to be funded by several sources, including from proceeds of the Bonds, development fees collected by the City and Developer contributions. Proceeds of the Bonds will not be sufficient to finance the cost of the Improvements and the Developers have provided the City with assurances, as described below, satisfactory to the City that moneys will be available to finance the cost of the Improvements not financed from Bond proceeds. See "THE IMPROVEMENTS — Sources of Funds for Improvements."**

Anticipated Subdivision Maps and Commencement of Development in the District

Construction of the portion of the Improvements north of Blue Oaks Boulevard began in June 1998 and construction of the portion of the Improvements south of Blue Oaks Boulevard began in July 1998. Such construction includes grading and site preparation in contemplation of the installation of the Improvements. See "THE IMPROVEMENTS" below. Construction activity has occurred only with respect to infrastructure required for development; no homebuilding or other construction activity has occurred in the District.

The Developers have provided the following information with respect to development within the District. No assurance can be given that all information is complete. Although the Developers currently own most of the property within the District, as land development progresses, any Developer may sell portions of its property to various builders or private individuals and certain of the Developers intend to do so. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, however development by any subsequent owner will be subject to the policies and requirements of the City. No assurance can be given that any of the possible sales detailed below will actually occur and no assurance can be given that an owner of any parcel in the District will be the developer of its property in the District or will develop its property in accordance with the North Roseville Specific Plan.

Diamond Creek Parcels

Diamond Creek Partners, Ltd., ("Diamond Creek") as the owner of the parcels north of Blue Oaks Boulevard (designated as "DC" parcels in the North Roseville Specific Plan and shown in the diagram under the caption "The North Roseville Specific Plan" above) other than the Eskaton parcel, designated under the North Roseville Specific Plan for 997 residential units and 32 gross acres of commercial uses, intends to sell all of its residential zoned land within the District to homebuilders. It also intends to sell the non-residential zoned parcels; however, an entity to be formed whose members may include all or some of the present partners of Diamond Creek Partners, Ltd. may develop a portion of the non-residential property.

Diamond Creek has been actively marketing all of its residential property in the District and has entered into purchase contracts with Woodside Homes (with respect to Parcel DC-1A), Polygon Communities (with respect to Parcel DC-4 and DC-5), and Interland (with respect to Parcel DC-8). Sale of these parcels pursuant to these purchase contracts is contingent upon Diamond Creek obtaining an approved tentative subdivision map for each respective parcel. Additionally, on August 21, 1998, Diamond Creek sold Parcels DC-6 and DC-7 comprising a total of approximately 35.6 acres planned for 192 units to Louie J. Pappas, trustee. The buyer/trust is not a developer and currently intends to hold the property for investment purposes. The sale represents the exercise of an option held by the buyer in connection with its intent to invest in the property at the time the property was originally acquired by Diamond Creek. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT — Sale of Property Within the District" below.

No tentative maps have been approved for subdivision of the Diamond Creek parcels in the District. Diamond Creek's marketing plan for the residential property is to sell each parcel with an approved tentative map in place and closing of the pending sales to homebuilders is contingent upon approval of a respective tentative map by the City. Diamond Creek is currently processing tentative maps for Parcels DC-1A, DC-4, DC-5 and DC-6 and anticipates submitting tentative maps for Parcels DC-1B, DC-2 and DC-7 in September 1998. Diamond Creek anticipates that these tentative maps will be approved by the end of 1998 and that homebuilder/buyers of its residential zoned property within the District may begin home construction by spring of 1999. *No assurance can be given that the pending sales will actually occur.*

Mourier Property

Parcels within the District designated as M-70, M-30 and M-31 under the North Roseville Specific Plan (and shown in the diagram under the caption "The North Roseville Specific Plan" above)

are owned by Mourier Land Investment Corporation and parcels M-1 through M-6 are owned by John Mourier Construction, Inc. ("JMC" and together with Mourier Land Investment Corporation, "Mourier"). All of the Mourier parcels are south of Blue Oaks Boulevard and designated as "M" parcels under the North Roseville Specific Plan. The parcels are planned for 511 residential units, commercial uses and a school site. Mourier intends to sell parcel M-70 to the City for eventual sale by the City to the local school district. The acquisition of the school site by the City will be initially funded with proceeds of the Bonds. See "THE IMPROVEMENTS — Excess School Lands and Other Reimbursements to the Developers From Bond Proceeds." Mourier intends to hold parcels M-30 and M-31 for long term investment purposes. JMC intends to subdivide the M-2 through M-5 parcels and the M-6 parcel in accordance with the North Roseville Specific Plan and the Mourier Development Agreement, with building and selling homes commencing in 1999 and 2000 respectively. Buildout is currently projected for the end of 2002. Parcel M-1 (zoned for apartments) is anticipated by Mourier to be developed and marketed for sale in 1999.

All parcels owned by Mourier have land use entitlements in accord with the North Roseville Specific Plan and pursuant to the Mourier Development Agreement. Mourier has provided the following parcel development status.

<u>Parcel No.</u>	<u>Zoning⁽¹⁾</u>	<u>Current Status</u>
M-1 (5.4 acres)	HDR	Apartment project not proposed as of September 1998.
M-2 (9.6 acres)	MDR	Submitted for Tentative Map, expecting approval by Planning Commission in 9/98. Received approval for grading permit at Subdivision Review Committee on 8/19/98. Expecting to bid Mass Grading Project during 9/98, and commence project grading during 10/98, expecting to complete Mass Grading Project in 11/98.
M-3 (9.4 acres)	LDR	Submitted for Tentative Map, expecting approval by Planning Commission in 9/98. Received approval for grading permit at subdivision Review Committee on 8/19/98. Expecting to bid Mass Grading Project during 9/98, and commence project grading during 10/98, expecting to complete Mass Grading Project in 11/98.
M-4 (18.5 acres)	LDR	Received approval on Tentative Map and Grading Permit by Planning Commission on 7/9/98. Expecting to bid Mass Grading Project during 9/98, and commence project grading during 10/98, expecting to complete mass grading project by 11/98. Subdivision Improvement Plans submitted to City, expect to receive approval in 10/98; will bid and commence construction, weather permitting, around 11/98.
M-5 (20.0 acres)	LDR	Received approval on Tentative Map and Grading Permit by Planning Commission on 7/9/98. Expecting to bid Mass Grading Project during 9/98, and commence project grading during 10/98, expect to complete grading of project by 11/98. Subdivision Improvement Plans have been submitted to City, expect to receive approval in 10/98. Will bid Improvement Plans with Mass Grading Project and commence construction, weather permitting, upon completion of Mass Grading Project.
M-6 (17.0 acres)	LDR	Received approval on Tentative Map and Grading Permit by Planning Commission on 7/9/98. Expecting to bid Mass Grading Project during 9/98, and commence project grading during 10/98, expecting to complete Mass Grading Project by 11/98. Subdivision Improvement Plans have been submitted to City, expect to receive approval in 10/98. Will bid and commence construction, weather permitting, around 11/98.
M-30 (10.0 acres)	CC	No specific commercial project proposed as yet by Mourier.
M-31 (4.1 acres)	CC	No specific commercial project proposed as yet by Mourier.

(1) Zoning designations are set forth in the diagram under the caption "Anticipated Development Under the North Roseville Specific Plan" above.

Sammis Roseville Property - Woodcreek North

Samamis Roseville Associates ("Samamis") as the owner of the parcels south of Blue Oaks Boulevard (designated as "WN" parcels in the North Roseville Specific Plan and shown in the diagram under the caption "The North Roseville Specific Plan" above) anticipates development of its property into 566 residential units comprising the Woodcreek North residential project ("Woodcreek North").

Sammis is not a homebuilder and intends to sell all of its land within the District zoned for residential development to homebuilders. Lots are anticipated to be sold as mass graded lots which comprise all or a portion of five "villages" planned by Sammis within Woodcreek North. Sammis currently contemplates that all lots will be sold to merchant builders by the end of 1999.

The Woodcreek North project site comprises approximately 232 gross acres and has tentative map approval for 566 single family residential lots, 41.9 acres of public parklands, 45.9 acres of open space, and an 8.0 acre elementary school site, all in accordance with the North Roseville Specific Plan. The 566 lots are on approximately 132.5 acres and have been configured by Sammis into five separate "villages" with each village corresponding to the WN-1 through WN-5 parcel designations in the North Roseville Specific Plan, as follows.

WN-1	28.5 acres	85 dwelling units (2.8 units/acre)
WN-2	19.5 acres	95 dwelling units (4.8 units/acre)
WN-3	28.5 acres	108 dwelling units (3.7 units/acre)
WN-4	29.9 acres	142 dwelling units (4.8 units/acre)
WN-5	23.7 acres	136 dwelling units (5.9 units/acre)

WN-1 and 2. Final maps and improvement plans for WN-1 and 2 are anticipated by Sammis to be created by fall of 1998 and the parcels are scheduled to be offered for sale in the spring of 1999.

WN-3, 4 and 5. Final maps and improvement plans have been created and are being reviewed by the City for WN-3, 4 and 5. Sammis reports that WN-4 and 5 have been offered for sale and that WN-4 is under contract with a merchant builder and the sale is expected to be closed in October 1998. WN-5 is expected to be under contract in October 1998. WN-3 is scheduled to be offered for sale in the spring of 1999.

Eskaton Property

Development of the Eskaton parcel into the continuing care retirement community described under the caption "Eskaton Village" above is not scheduled to commence until 2001. This is largely due to the fact that the facility must obtain a Certificate of Authority to enter Continuing Care Contracts from the State of California as well as local and state permits for the intended use. Eskaton currently projects residential units in the first phase of its project may be available for sale in the fall of 2002 however, such projection is tentative and is likely to vary considerably due to the extensive approval and licensing requirements associated with the intended use of its property. Pursuant to California laws with respect to entering into continuing care contracts, Eskaton is required to have 20% deposits on 50% of its initial phase of residential units prior to beginning construction. Additional deposits can be taken during the construction period. Accordingly, it is anticipated by Eskaton that at least 60% of the Phase 1 residential units will have been reserved prior to completion of construction.

Eskaton plans to construct residential units as part of the continuing care retirement community. The exact number, size and pricing of units will depend on market research. The maximum number of units permitted by the zoning approved in the North Roseville Specific Plan is 400 residential (congregate housing) units in a combination of attached, single-story homes ("cottages") and apartments. The preliminary site master plan assumes 80 cottages and 320 apartments. The master plan (as proposed) includes approximately 636,000 square feet for the residential apartments and cottages as well as the community's common areas. This figure does not include cottage garages or apartment carports.

Portions of the continuing care retirement community that are considered as "commercial" are (i) assisted living - 200 apartments; (ii) skilled nursing facility - 100 beds; (iii) adult day care and adult day health care; (iv) corporate business office; and (v) related ancillary services (e.g. home health agency office, out-patient therapy). This commercial area is estimated at approximately 200,000 square feet.

Eskaton's market research firm has completed the initial market research and recommends that Phase 1 of the project include the following service volumes, with additional phases constructed based on market demand: (i) 250 residential units (combination of cottages and apartments); (ii) 75 assisted living apartments; and (iii) 60 skilled nursing facility beds. Annual "sales" estimates are not available at this time other than in the form of residential unit absorption projections developed in connection with a market absorption study which were projected as follows: 2001, 135 units, 2002, 125 units, 2003, 100 units and 2004, 40 units. No assurance can be given as to the accuracy of any of these projections.

Financing for on-site improvements and construction has not yet been selected or arranged. Eskaton, as a not-for-profit corporation, most frequently uses tax-exempt bonds for project financing. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT — The Developers — Eskaton Properties, Inc."

Environmental Matters

Flood Hazard Map Information. According to the Federal Emergency Management Agency's flood insurance rate maps (panel numbers 060243 0001D, 0002D, 0003D, and 0004D dated September 28, 1990), the developable portions of the properties in the District are located within Flood Zone X and are determined to be outside the limits of a 500-year flood event. However, the North Roseville Specific Plan area is located within the Pleasant Grove Creek watershed, and both the main branch and the south branch of the creek traverse the plan area. Construction of the drainage system within the specific plan area will include rechannelization of minor tributaries, the construction of pipe conveyance systems, and construction of culverts and bridges.

Wetland Conditions. Each landowner within the North Roseville Specific Plan has implemented a wetlands preservation and mitigation program designed to achieve no-net-loss of wetlands, consistent with the City General Plan policies. The land-use plan is designed to avoid wetlands to the extent practicable according to established guidelines, and many of the wetland areas located along the open-space creek corridors are left in their natural condition and will be avoided and preserved in place. However, intermittent drainages, vernal pools, and wetlands are scattered and cannot be entirely avoided. Consequently, permits to fill portions of the wetlands pursuant to Section 404 of the Federal Clean Water Act are required and have been obtained for each ownership area. Mitigation for impacted wetlands will be provided off-site, and the remaining expenses associated with the required wetlands mitigation are reported by the City to be of nominal proportions and associated primarily with the Diamond Creek and Sammis properties.

Seismic Conditions. According to the Seismic Safety Commission of the State of California, the state is mapped into seismic hazard zones 3 and 4. Seismic hazard zones account for geographical variations in the expected levels of earthquake ground shaking and are based on the historical records of earthquakes and the location of known earthquake faults. The metropolitan area of Sacramento and most of the central valley are in seismic zone 3 and can expect lower levels of earthquake ground shaking. Local building codes take into account the likelihood of ground shaking and are intended to provide safety to the building occupants. In the event of an earthquake, buildings five stories or more would

suffer the greatest in the location area. The properties in the District are generally at no greater risk from earthquakes than other properties within the Sacramento region.

THE IMPROVEMENTS

General

The Development Agreements each set forth as an exhibit the capital facilities required to be constructed as a condition of development (herein, the "Construction Improvements") as well as certain contributions which are required to be made by each Developer (herein the "Contribution Improvements") as a portion of the cost of certain public works affected by development. The Construction Improvements and the Contribution Improvements are collectively referred to herein as the "Improvements."

The cost of the Improvements will exceed the amount available from Bond proceeds to pay for the Improvements and no assurance can be given that the excess moneys needed to complete the Improvements will be available. See "Sources of Funds for the Improvements" below. There can be no assurance that all of the Improvements will be constructed for the costs contracted for or estimated or that the Improvements will be constructed in a timely manner to permit the completion of development currently planned for the District. Amounts available from proceeds of the Bonds are not allocated to each specific construction or contribution item; Bond proceeds are allocated in specified amounts only as a "not to exceed" amount available for (i) certain Improvements on and north of Blue Oaks Boulevard and (ii) certain Improvements south of Blue Oaks Boulevard. See "North and South Allocation of Certain Bond Proceeds" below.

Description of the Improvements

The Improvements, which include the Construction Improvements and the Contribution Improvements, are described in the Development Agreements as follows:

I. CONSTRUCTION IMPROVEMENTS

1. ROADS.

a. Blue Oaks Boulevard:

Frontage improvements on both the north and south sides of Blue Oaks Boulevard, consisting of curb, gutter, 18 feet of pavement, streetlights, utilities and ancillary improvements, but not including landscaping or sidewalks (except as otherwise provided below), plus median landscaping.

Road improvements will extend from intersection with Woodcreek Oaks Boulevard to the western plan boundary for Neighborhoods A and B of the North Roseville Specific Plan, with appropriate transitions at each end.

Del Webb reimbursement for the previously installed southern portion of frontage improvements included as part of the cost for Blue Oaks Boulevard.

City to pay cost of 10 feet of additional pavement on north side of Blue Oaks Boulevard.

b. Woodcreek Oaks Boulevard:

South of the South Branch of Pleasant Grove Creek: frontage improvements on both the west and east sides of Woodcreek Oaks Boulevard, consisting of curb, gutter, 18 feet of pavement, streetlights, utilities and ancillary improvements, but not including frontage landscaping or sidewalks (except as otherwise provided below), plus median landscaping.

The west one-half of the bridge structure crossing the South Branch of Pleasant Grove Creek, and all necessary transitions to the southern improvements to Woodcreek Oaks Boulevard.

North of the South Branch of Pleasant Grove Creek: frontage improvements for the west side of Woodcreek Oaks Boulevard, consisting of curb, gutter, 18 feet of pavement, streetlights, utilities and ancillary improvements, but not including landscaping or sidewalks (except as otherwise provided below), plus 14 feet of additional pavement and a median curb for the western edge of the landscape median planned for Woodcreek Oaks Boulevard (but on other median landscaping), plus the west one-half of the bridge structure crossing the Main Branch of Pleasant Grove Creek. Streetlights on west side only, designed to meet IESRP8 lighting standards for a residential collector.

CFD will include financing for sidewalks to be located back-of-curb for any portion of Woodcreek Oaks Boulevard adjacent to non-park, open space, as required by the City.

c. Collector Streets:

Curb, gutter, pavement, street lights, utilities, bridges and ancillary improvements (but excluding landscaping and sidewalk, except as otherwise provided below) for that portion of the roadways identified as "Collector Streets" on Exhibit "I" of the Development Agreements necessary to provide access to the school sites and park sites within the North Roseville Specific Plan Area.

CFD will include financing for the sidewalks to be located back-of-curb for any portions of the Collectors adjacent to non-park, open space, as required by the City.

d. Intersections:

Intersection improvements (excluding signals) as required by the City for the intersection of Woodcreek Oaks and Blue Oaks Boulevard and for the intersections of the Collector Streets with such Boulevards.

2. DRAINAGE.

a. Master Drainage Plan:

Storm drain mains required by the Master Drainage Plan and laterals located within the above-described road improvements.

3. WATER.

All on-site improvements to the water system shown on Exhibit "F" of the Development Agreements.

The North Roseville Specific Plan Area's pro-rata share of the cost of the pressure reducing station and ancillary water taps constructed by Del Webb within Blue Oaks Boulevard as shown on Exhibit "F" of the Development Agreements.

4. RECLAIMED WATER.

Reclaimed water line extensions from the backbone line along Woodcreek Oaks Boulevard to be installed by City to the publicly owned parks with the North Roseville Specific Plan Area, as generally shown on Exhibit "G" of the Development Agreements. Each line will be sized as required to serve the applicable park site.

5. SEWER.

All on-site improvements to the sewer system as shown on Exhibit "H" of the Development Agreements, except for the 72" Trunk Sewer and 42" Trunk Sewer to be located therein, which shall be the City's responsibility (subject to the CFD contribution described below for Neighborhood B's share of the cost to construct the 42" Trunk Sewer).

\$263,000 for Neighborhood B's share of the cost to construct the 42" Trunk Sewer.

6. ELECTRIC FACILITIES.

All on-site electric distribution facilities identified in Exhibit "D" of the Development Agreements, and all off-site electric distribution identified in Exhibit "E" of the Development Agreements.

7. PARKS.

Initial park and bike trail improvements with the North Roseville Specific Plan Area.

II. CONTRIBUTION IMPROVEMENTS

1. PLEASANT GROVE INTERCHANGE.

\$1 million at bond issuance, to be credited against the Highway 65 JPA Impact Fee.

2. FIRE STATION SITE.

\$150,000 for City acquisition of a fire station site to be located outside the North Roseville Specific Plan Area boundary.

3. SCHOOL SITE ACQUISITION.

\$1,852,000 for acquisition of middle school site.

Approximately \$309,000 for acquisition of land for school sites, net of dedications, approximately \$174,000 of which to be allocated to Neighborhood A (exclusive of the Eskaton project) and \$135,000 to the northern half of Neighborhood B.

4. MAHANY PARK COMMUNITY CENTER.

\$1,000,000 for City construction of the Mahany Park Community Center, to be credited against the City's Capital Facilities Fee. (Actual proceeds to come from reimbursement to City from school district purchase of middle school site.)

5. BLUE OAKS BOULEVARD MEDIAN.

Up to \$400,000 for landscaping 56-foot wide Blue Oaks Boulevard median from western Phase 1 North Roseville Specific Plan Area boundary east to Woodcreek Oaks Boulevard intersection. (Actual proceeds to come from reimbursement to City from school district purchase of middle school site.)

6. ENGINEERING.

All costs of engineering, design, plan check fees, inspection, staking and related expenses incurred in conjunction with construction of the above-described improvements.

Cost of the Improvements

The table below shows the cost estimates for the Improvements prepared by the Developer's engineers, Vail Engineering and reviewed for reasonableness by the consultants to the City. In addition to the Improvements, approximately \$5,777,689 of other public infrastructure is planned for the District in the future and such infrastructure will be funded from building permit and related fees collected by the City at the time of the issuance of such permits.

TABLE 1
North Roseville Community Facilities District No. 1
North Roseville Specific Plan
Summary of Improvements and Sources of Funding

Facility	Total Mello-Roos	City Fees	Total Facility Cost
Vail Engineering Cost Estimates			
Roads			
Blue Oaks Blvd.			
Road Improvements	\$1,883,240		\$1,883,240
City-funded pavement		\$121,940	121,940
Subtotal Blue Oaks	\$1,883,240	\$121,940	\$2,005,180
Woodcreek Oaks Blvd.			
Road Improvements	\$3,544,591		\$3,544,591
Bridge North of Blue Oaks	596,948		596,948
Bridge South of Blue Oaks	500,107		500,107
Median Landscaping	113,000		113,000
Subtotal Woodcreek Oaks	\$4,754,646	-0-	\$4,754,646
Diamond Creek Collector Roads	\$1,113,446		\$1,113,446
Diamond Creek Blvd. Bridge	778,051		778,051
Diamond Creek/Eskaton Shared Roads	239,612		239,612
Eskaton Intract Facilities	486,837		486,837
Mourier Collector Roads	1,084,299		1,084,299
Woodcreek North Collector Roads	790,264		790,264
Sewer			
Pump Station	190,721		190,721
72" Off-road Trunk Sewer		2,059,434	2,059,434
City-Funded Trunk Sewer		1,734,085	1,734,085
Shared Sewer in Roads F and G	139,552		139,552
Shared Sewer in Diamond Creek Rd.	211,522		211,522
Shared Off-Road Sewer	10,575		10,575
Miscellaneous			
Signal Undergrounding	32,430		32,430
Major-Road Joint Utility Trench	2,400,058		2,400,058
Offsite Utility Trench	545,160		545,160
Internal Joint Utility Trench	1,371,908		1,371,908
16" Water System	1,220,479		1,220,479
Reclaimed Water	444,740	1,862,230	2,306,970
HP-Domestic Water & Sewer	28,682		28,682
Subtotal Vail Costs	\$17,726,224	\$5,777,689	\$23,503,912
Other Facility Costs and Contributions			
Woodcreek Oaks Trunk Sewer (1)	\$262,764		\$262,764
Pressure Reduction Valve	102,400		102,400
Del Webb Reimbursement	166,739		166,739
Median Landscaping (2)	325,000		325,000
Pleasant Grove Interchange	1,000,000		1,000,000
Parks/Landscaping	500,000		500,000
Fire station Land Acquisition	150,000		150,000
Electric Substation Acquisition	100,000		100,000
Non-Dedicated School Land Acquisition	767,460		767,460
Roseville Telephone Easement	5,510		5,510
Community Center Contribution	1,000,000		1,000,000
Interest on Community Center (3)	75,000		75,000
Oak Tree Mitigation	115,000		115,000
Utility/Permit Easement Mitigation	140,000		140,000
Subtotal Other Costs	\$4,709,873	-0-	\$4,709,873
Total All Costs	\$22,436,097	\$5,777,689	\$28,213,786

- (1) Amount reflects the developer's share of this facility, as shown in the amendment to the Development Agreement.
- (2) \$75,000 has been provided for interest expense to the City for deferring their funding for the Mahany Community Center building and the Blue Oaks Boulevard median landscaping. The actual amount of interest expense is currently estimated to be \$25,000.
- (3) The interest on the Community Center will be used to fund the interim Middle School purchase. See "Excess School Lands and Other Reimbursements to the Developers From Bond Proceeds" below.
- (4) Totals and subtotals may not equal sum of column due to rounding.

Source: Vail Engineering and Economic & Planning Systems, Inc. CFD Financing Plan dated June 9, 1998.

The allocation of the cost of the Improvements among the four Developers is estimated by Vail Engineering and shown in the CFD Financing Plan as follows:

TABLE 2
North Roseville Community Facilities District No. 1
North Roseville Specific Plan
Cost Breakdown and Allocation for Improvements

	Improvement Cost	Eskaton	Diamond Creek	Mourier	Woodcreek North
Facilities Costs⁽¹⁾					
Blue Oaks Road	\$2,320,460	\$397,460	\$907,570	\$603,597	\$411,833
Woodcreek Oaks Road	4,754,646	93,663	2,365,352	1,034,967	1,260,664
In-Road Joint Utility Trench	2,400,058	\$216,393	1,121,701	\$604,860	457,104
Off-Site Utility Trench	545,160	53,665	235,194	119,005	137,296
Signalization Undergrounding	32,430	3,192	13,991	7,079	8,167
Reconciliation of Park/School Rd. Frontage	(\$0)	(2,269)	48,167	45,734	(91,632)
Pump Station	190,721	115,959	74,763		
Shared Sewer in Roads F and G	139,552			109,828	29,725
Shared Diamond Creek Sewer	211,522	128,606	82,917		
12" Off-Road Sewer	10,575			1,703	8,872
42" City Sewer—Share	262,764			107,125	155,639
HP-Domestic Water & Sanitary	28,682	2,823	12,374	6,261	7,223
Pleasant Grove Interchange	1,000,000	59,105	527,697	248,563	164,635
Del Webb Reimbursements for Blue Oaks ⁽²⁾	54,519	9,360	21,421	23,738	-
Reclaimed Water	444,740	47,375	188,395	95,456	113,514
Water System Costs (lines>16")	1,220,479	120,143	526,542	266,422	307,371
Parks/Landscaping	500,000	53,262	211,803	107,317	127,618
Fire Station Land Acquisition	150,000	14,766	64,713	32,744	37,777
Electric Substation Acquisition	100,000	9,844	43,142	21,829	25,184
Roseville Telephone Easement	5,510	542	2,377	1,203	1,388
Non-Dedicated School Land Acquisition	767,460	-	359,389	180,062	228,010
Mehany Community Center	1,000,000	185,363	403,284	194,166	217,187
Interest on Community Center	75,000	7,989	31,771	16,098	19,143
Oak Tree Mitigation	115,000	3,354	37,861	16,322	57,463
Utility/Permit Easement Mitigation	140,000	13,782	60,399	30,561	35,258
SUBTOTAL Facilities Costs	16,469,279	1,534,378	7,340,823	3,874,639	3,719,439
Backbone In-Tract Costs⁽³⁾					
Diamond Creek Intract Road Facilities	\$1,113,446		\$1,113,446		
Diamond Creek Blvd. Bridge	778,051		778,051		
Diamond Creek/Eskaton Shared Roads ⁽⁴⁾	239,612	\$119,806	119,806		
Eskaton Intract Road Facilities	486,837	486,837			
Mourier Collector Roads	1,084,299			1,084,299	
Woodcreek North Collector Roads	790,264				790,264
Joint Utility Trench	1,371,908	156,249	663,505	312,254	239,900
Pressure Reduction Valve	\$102,400		\$102,400		
SUBTOTAL Backbone In-Tract Costs	\$5,966,817	\$762,893	\$2,777,208	\$1,396,553	\$1,030,164
TOTAL⁽⁵⁾	\$22,436,097	\$2,297,271	\$10,118,030	\$5,271,193	\$4,749,603

(1) In the CFD Financing Report, the "Facility Costs" are costs required by the City before development may proceed.

(2) \$87,013 of the Del Webb reimbursement is spread in Citywide Road Section and \$25,207 is allocated to the middle school. The total Del Webb reimbursement is \$166,739.

(3) In the CFD Financing Report, the "Backbone In-Tract Costs" are costs necessary for the Developer to proceed.

(4) Spread evenly between Diamond Creek and Eskaton.

(5) Totals and subtotals may not equal sum of column due to rounding.

Source: Vail Engineering and Economic & Planning Systems, Inc. CFD Financing Plan dated June 9, 1998.

"North" and "South" Allocation of Certain Bond Proceeds

The total cost of the Improvements is estimated to be approximately \$22.4 million as shown above, with approximately \$17.9 million expected to be provided from Bond proceeds and the remainder

to be provided by the Developers, as described under the caption "Sources of Funds for Improvements" below.

Amounts available from proceeds of the Bonds are not allocated to any specific item of the Improvements. Under the Acquisition Agreements (described under the caption "Acquisition by the City" below) Bond proceeds which may be used to acquire the portion of the Improvements to be completed by Diamond Creek (or to reimburse Diamond Creek for associated costs of engineering, surveying, inspection/plan check, oak tree mitigation or management fees related to such completed Improvements) (the "North Improvements") is limited to \$8,179,265.00 and Bond proceeds which may be used to acquire the portion of the Improvements to be completed by Mourier and Sammis (or to reimburse Mourier or Sammis for associated costs of engineering, surveying, inspection/plan check, oak tree mitigation or management fees related to such completed Improvements) (the "South Improvements") is limited to \$4,889,447.00. Accordingly, the total amount of Bond proceeds available for the North Improvements and the South Improvements is \$13,068,712.00. The remaining Bond proceeds in the approximate amount of \$4,837,529.00 will be used by the City to purchase land and an easement from certain of the Developers, to construct landscaping and for other Contribution Improvements which are of limited usefulness in enhancing the value of the property in the District.

Diamond Creek has entered into a contract with a general contractor, Granite Construction Company, Inc. (and, as to a certain Improvement, Angelo Electric, Inc.) for construction of the North Improvements and Mourier and Sammis have entered into a contract with Syblon Reid Construction (and, as to a certain Improvement, Angelo Electric, Inc.) for construction of the South Improvements. The North Improvements are anticipated by the Developers to cost \$10,841,001, and of such amount \$8,179,265.00 will be made available by the City from Bond proceeds. The South Improvements are anticipated by the Developers to cost \$6,632,765.00, and of such amount \$4,889,447.00 will be made available by the City from Bond proceeds. As to both the North Improvements and the South Improvements, the amount of Bond proceeds available for funding such portion of the Improvements is less than the amount of the respective cost. Diamond Creek and Eskaton are responsible for providing the deficient amount required for completion of the North Improvements and Mourier and Sammis are responsible for providing the deficient amount required for completion of the South Improvements. Each of the Developers have provided the City with a mechanism for funding the anticipated portion of such deficiency through "gap" funding and/or "buydown" funding to be provided by the Developers, as described below under the caption "Source of Funds for Improvements." *Funding by the Developers of their "gap" and "buydown" funding requirements is critical to the completion of the North Improvements and the South Improvements.*

Use of Bond Proceeds to Reimburse Developers. Upon issuance of the Bonds, a portion of Bond proceeds will be used to reimburse certain of the Developers for land dedications in excess of that required by their developments, including the amount of approximately \$1,802,000 payable to Mourier for purchase by the City of a middle school site. \$1.4 million of this acquisition price is not included as a cost of the Improvements as set forth above due to the fact that the City has agreed to defer the use of Bond proceeds for the improvements related to the Mahany Park Community Center and the Blue Oaks median landscaping (at an estimated combined cost of \$1.4 million) until \$1.4 million is paid to City by the local school district to acquire the site. The balance of the amount due Mourier (approximately \$402,000) is included as part of the Improvements. To compensate the City for deferring the Community Center, up to \$75,000 in interest expense has been included in the cost of the Improvements. However, the City and the Developers anticipate that the actual amount payable will be substantially less. Other amounts will likewise be paid to certain of the Developers upon issuance of the Bonds. See "Excess School Lands and Other Reimbursements to the Developers From Bond Proceeds." None of the

amounts to be paid to the Developers as described in this paragraph are a part of the North Improvements or South Improvements described above.

Insufficiency of Bond Proceeds to Complete Improvements. There can be no assurance that all of the Improvements will be constructed for the costs contracted for or estimated or that the Improvements will be constructed in a timely manner to permit the completion of development currently planned for the District. **The cost of the Improvements will exceed the amount available from Bond proceeds to pay for the Improvements and no assurance can be given that the excess moneys needed to complete the Improvements will be available. See "Sources of Funds for Improvements" below.** In the event the cost of the Improvements exceeds the cost anticipated by the Developers, additional money will be necessary to complete the Improvements, which additional money has not been specifically provided for as of the date of issuance of the Bonds, except to the extent of a contingency line item (equal to approximately 3% of construction costs) which has been included in the cost estimates for the Construction Improvements.

Sources of Funds for Improvements

Bond Proceeds and Known Shortfall. The total cost of the Improvements is estimated to be approximately \$22.4 million, with approximately \$17.9 million expected to be provided from Bond proceeds, resulting in a "shortfall" of approximately \$4.5 million created by the difference between Bond proceeds and the anticipated cost of the Improvements. The CFD Financing Plan allocates a portion of this shortfall to each of the four Developers within the District, as shown in Table 3 below.

Funding the "Shortfall". The CFD Financing Plan identified that as of its June 1998 date, the \$4.5 million shortfall was to be divided into two classifications and funded by the Developers in cash, with one classification being reimbursable and the other classification not reimbursable. The nonreimbursable classification is comprised of approximately \$2.0 million of the shortfall to be funded with cash contributions from the Developers to "buydown" maximum Special Tax rates. The reimbursable portion is characterized as the "gap" amount and is comprised of approximately \$2.5 million which was to be funded with cash contributions to be made by the Developers and subsequently reimbursed to the Developers from future Special Tax collections; however, since the date of the CFD Financing Plan, the City has agreed that these cash contributions may be funded by the Developers from sources other than cash, as described below. The anticipated shortfall is described as the "Buydown of Maximum Special Tax" and as the "Gap Funding," both as detailed in the following subsections, by the Special Tax Consultant and has been allocated to each Developer in the CFD Financing Plan as follows:

TABLE 3
North Roseville Community Facilities District No. 1
North Roseville Specific Plan
Funding Sources for District Improvements

Funding Source	Total	Project			
		Eskaton	Diamond Creek	Mouier	Woodcreek North
Mello-Roos CFD Bond Proceeds (1)	\$17,906,241	\$2,075,227	\$7,678,339	\$3,527,885	\$4,624,791
Cash Contribution					
Buydown Funding	2,005,371	-	444,512	1,560,859	
"Gap" Funding (2)	2,524,485	222,044	1,995,180	182,448	124,812
<i>Percent of Total Gap Funding</i>		8.80%	79.03%	7.23%	4.94%
Total Funding	\$22,436,097	\$2,297,271	\$10,118,031	\$5,271,192	\$4,749,603

(1) The actual amount of bond proceeds will vary based on the bond interest rate, term, and issuance costs. Assumes total bonds of \$20.13 million. Changes in bond proceeds will change the total "Gap" funding amount. For example, an increase in bond proceeds will reduce the amount needed to reimburse the "gap" funding amount.

(2) The "Gap" funding is the difference between the total allocated costs and the amount of bond proceeds and special tax buydowns for each property owner. This amount will increase or decrease depending on the actual bond proceeds.

Source: *Economic & Planning Systems, Inc. CFD Financing Plan dated June 9, 1998.*

Non-Reimbursable Buydown of Special Taxes. Mourier and Diamond Creek have agreed to provide approximately \$2 million in "up-front" buydown funding in return for lower maximum Special Taxes on selected multi-family and commercial parcels. This buydown assures that these projects pay their full allocation of facility costs but allows the developer to lower the annual Special Tax burden on its parcels. Unlike the arrangements made with respect to the gap funding, the cost of the buydown is not reimbursable to the participating Developers. Compensation for the cash buydown is derived from lower maximum Special Taxes allocated to these properties under the structure of the Special Tax Formula.

Reimbursable "Gap" Funding. The "Gap" funding shown above represents the anticipated Developer contributions of approximately \$2.5 million to the cost of the Improvements which amount is anticipated to be funded by each of the Developers in varying proportions and by various means, as summarized below under the caption "Developer Source of Funds for "Gap" and "Buydown" Funding" below. This funding covers the "gap" between the total cost of the Improvements in excess of the combined amount of Bond proceeds and buydown contributions. The majority of this funding—nearly \$2 million—is required to come from Diamond Creek and will not be provided in cash. See "Possibility of Insufficient Funds to Pay for Improvements" below.

The reimbursement mechanism for the gap funding is provided in the Acquisition Agreements (described herein under the caption "Acquisition by the City" below). Each Acquisition Agreement provides that the respective Developer will provide the gap funding as needed to complete the Improvements. The City will be entitled to acquire the Improvements constructed all or in part with such gap funds upon completion, but the City is allowed to defer payment to the Developers for such acquisitions. Under the Acquisition Agreements, gap funds provided by the Developers will be subject to reimbursement from future Special Tax collections and will be paid from Special Tax collections after the payment of annual debt service and deposits with respect to the Bonds required under the Fiscal Agent Agreement. The City covenants in the Acquisition Agreements to levy the Special Taxes against all properties in the District at the maximum rate permitted. The amount generated thereby not needed in

connection with the Bonds will be used to reimburse the Developers on a pro rata basis for gap funds expended for Improvements acquired under the deferred payment arrangement. The CFD Financing Plan anticipates that it will take six to seven years to fully repay the reimbursable costs. The City reports that the Special Tax for 1998-99 has been levied at the maximum Special Tax rate allowed under the Special Tax Formula.

Possibility of Insufficient Funds to Pay for Improvements. The cost of the Improvements will exceed the amount available from Bond proceeds to pay for the Improvements and no assurance can be given that the excess "gap" and "buydown" moneys needed to complete the Improvements will be available. See the caption "Developer Source of Funds for "Gap" and "Buydown" Funding" below. Additionally, even if all "gap" and "buydown" funds are timely paid by the Developers, in the event the cost of the Improvements exceeds the combined amount available from Bond proceeds, gap funding and buydown funding, additional money will be necessary to complete the Improvements. Payment of such additional moneys is an unsecured obligation of the Developers.

Developer Source of Funds for "Gap" and "Buydown" Funding

Developer Source of Funds for "Gap"

The City has required a form of security for the obligation of the Developers to provide moneys for construction of the Improvements in an amount equal to their "gap" funding requirement described above. The following is a description of the security accepted by the City in connection with the gap funding obligation. In the event an Improvement is not constructed as required under the Development Agreements and the Acquisition Agreements, the City may enforce the security, to the extent feasible, to obtain funds representing the respective Developer's gap funding requirement and the funds could be used to construct a portion of the Improvements.

Diamond Creek. Diamond Creek's "gap" funding obligation is identified in the CFD Financing Plan as \$1,995,180. Diamond Creek, as construction manager for construction of the portion of the Improvements attributable to its property and the Eskaton property, has entered into a construction contract (as amended, the "Granite Construction Contract") dated as of May 26, 1998 with Granite Construction Company, Inc. ("Granite") for construction of certain North Improvements. The Granite Construction Contract as originally executed provided that the amount to be due Granite would be paid exclusively from Bond proceeds, however in a change order ("Change Order A") dated July 24, 1998 to the Granite Construction Contract, Diamond Creek and Granite acknowledged that Bond proceeds will be insufficient to pay the amount to be due Granite. Diamond Creek has delivered to Granite a promissory note (the "Diamond Creek Note") secured by a deed of trust against a portion of the Diamond Creek property within the District as a secured advance payment to Granite of an amount up to \$2 million, to be credited and applied against amounts which remain due and owing to Granite under the Granite Construction Contract following exhaustion of the portion of Bond proceeds allocated to the North Improvements. The Diamond Creek Note represents Diamond Creek's gap funding requirement.

The City has accepted Change Order A, together with proof that the City has been added as an obligee under the performance bond given by Granite in connection with the work, as sufficient security for the obligation of Diamond Creek to provide its portion of the gap funding needed to complete the North Improvements. The performance bond provides that Federal Insurance Company, as the surety, shall not be liable to the obligees unless the obligees make payment to Granite strictly in accordance with the terms of the Granite Construction Contract and perform all the other obligations to be performed under the Granite Construction Contract at the time and in the manner therein set forth.

Limited Availability of Diamond Creek "Gap" Funds. *The manner in which Diamond Creek has provided for coverage of its "gap" funding requirement provides that it (i) only can be used to complete the North Improvements pursuant to the Granite Construction Contract and (ii) can only be used if all Bond proceeds allocated to the North Improvements have been exhausted. It is known to the City, Diamond Creek and Granite that Bond proceeds allocated to the North Improvements will be exhausted prior to completion of the North Improvements; accordingly, Granite has accepted the Diamond Creek Note as payment of the amount due Granite in excess of the Bond proceeds allocated to the North Improvements. The City is not a payee of the Diamond Creek Note and Diamond Creek has not provided any security to the City for its obligation to pay the "gap" funding needed to complete the North Improvements. In the event Diamond Creek and Granite dispute the validity, collectability or enforceability of the Diamond Creek Note, construction of the North Improvements may be delayed and the obligation of Diamond Creek to fund the completion of the North Improvements will be to pay as and when requested by the City in accordance with the terms of the Diamond Creek Acquisition Agreement. Diamond Creek's obligation to pay under such circumstances is not secured, will be based solely upon Diamond Creek's ability and willingness to pay, and cannot be assured by the City.*

Eskaton. Eskaton's "gap" funding obligation is identified in the CFD Financing Plan as \$222,044. Eskaton has provided the City with an irrevocable letter of credit (the "Eskaton Letter of Credit") issued by Bank of America in the amount of \$222,000 to secure its obligation to provide the gap funds required for completion of the Improvements. The City will hold the Letter of Credit and is allowed to draw on it to the extent necessary for completion of the Improvements in the event Eskaton fails to provide its gap funding requirement in cash as and when needed in connection with the construction and acquisition of the Improvements. The Eskaton Letter of Credit expires on August 31, 1999 but provides for annual automatic renewals to no later than August 31, 2002 unless the City is notified in advance of an expiration date that it will not be renewed.

Woodcreek North. Sammis' "gap" funding obligation is identified in the CFD Financing Plan as \$124,812. Sammis and the City have agreed that this amount will be funded from Bond proceeds immediately upon establishment of the Improvement Fund as an offset to the \$320,694 otherwise payable to Sammis from Bond proceeds as reimbursement for moneys advanced by Sammis for non-dedicated school land, as described below under the caption "Excess School Lands and Other Reimbursements to the Developers From Bond Proceeds — Other Developer Reimbursements." This will result in a net amount due to Sammis from the Improvement Fund for these reimbursements of \$195,882 and retention in the Improvement Fund, as Sammis "gap" funds available for other uses, the amount of \$124,812.

Mourier. Mourier's "gap" funding obligation is \$182,448. Mourier has provided the City with an irrevocable letter of credit (the "Mourier Letter of Credit") issued by Imperial Bank in the amount of \$1,743,307 plus an allowance for attorney fees to secure its obligation to provide the gap funds (as well as the "buydown" funds) required for completion of the Improvements. The City will hold the Letter of Credit and is allowed to draw on it to the extent necessary for completion of the Improvements in the event that Mourier does not contribute its "gap" monies as and when needed, after exhaustion of the portion of the Bond proceeds allocated to the South Improvements, to complete the Improvements in a timely manner. The Mourier Letter of Credit expires on August 31, 1999 but provides for annual automatic renewals to no later than August 31, 2002 unless the City is notified in advance of an expiration date that it will not be renewed. In which case, the City may draw against the Mourier Letter of Credit if a substitute letter of credit is not provided to the City.

Developer Source of Funds for Buydown

The City has required a form of security for the obligation of Diamond Creek and Mourier to provide moneys in an amount equal to their "buydown" funding requirement described above. The following is a description of the security accepted by the City in connection with the gap funding obligation. In the event an Improvement is not constructed as required under the Development Agreements and the Acquisition Agreements, the City may enforce the security, to the extent feasible, to obtain funds representing the respective Developer's buydown funding requirement and the funds could be used to construct a portion of the Improvements.

Diamond Creek. Diamond Creek's "buydown" funding obligation is the amount of \$444,512. Diamond Creek has provided this amount in cash prior to sale of the Bonds, which amount will be held by the City and deposited into the North Construction Account of the Improvement Fund upon issuance and delivery of the Bonds and will be available to the City for acquisition of the North Improvements.

Mourier. Mourier's "buydown" funding obligation is the amount of \$1,560,859. The Mourier Letter of Credit described immediately above under the caption "Developer Source of Funds for "Gap" and "Buydown" Funding - Mourier" includes an amount sufficient to cover both the "gap" and "buydown" obligations of Mourier. Moneys will be available under the Mourier Letter of Credit interchangeably for either gap or buydown funding.

Excess School Lands and Other Reimbursements to the Developers From Bond Proceeds

Upon issuance of the Bonds, a portion of Bond proceeds will be used to reimburse certain of the Developers for land dedications in excess of that required by their developments.

The Mourier Middle School Site

As a part of the City's approval of the North Roseville Specific Plan, the Development Agreements and related land use entitlements, Mourier has agreed to dedicate approximately 21.8 acres of its property in the District for a middle school site. The school land dedication requirement with respect to Mourier's property is 3.78 acres; accordingly, the City has acknowledged that Mourier is entitled to compensation for the 18.02 acres that Mourier agreed to dedicate which is in excess of the dedication requirement.

Since the proposed middle school will also service students outside of the North Roseville Specific Plan area, the 18.02 acres which represents the acres to be dedicated by the Developer in excess of the Mourier dedication requirement includes 15.93 net acres (the "Non-Dedicated School Land") which are not required to be dedicated in connection with the development proposals in the North Roseville Specific Plan area. Accordingly, the Roseville City School District (the "School District") has agreed to acquire the Non-Dedicated School Land for a price of \$100,000 per acre, for a total purchase price of \$1,593,000.

The School District is not able to pay for the property until after the State has approved the site location and anticipates being in a position to acquire the site in January 1999. In order to provide funding for the Non-Dedicated School Land at the time that the Bonds are sold, the City, the School District and Mourier have agreed that the Non-Dedicated School Land will be initially acquired by the City using Bond proceeds. To facilitate that objective, the City and Mourier have entered into an agreement captioned "Acquisition of Middle School Site" dated September 3, 1997 (the "Mourier Acquisition Agreement") wherein the City agrees to acquire the Non-Dedicated School Land for a purchase price of \$1,801,529 with proceeds of the Bonds.

The \$1,801,529 Non-Dedicated School Land acquisition is an authorized facility to be acquired with Bond proceeds under the proceedings with respect to formation of the District and issuance of the Bonds, however \$1.4 million of this acquisition price is not listed as a part of the Improvements to be financed with Bond proceeds and described in the CFD Financing Plan. This is due to the fact that the City has agreed in the Mourier Acquisition Agreement that, immediately upon issuance of the Bonds, it will use Bond proceeds to pay Mourier the approximate \$1.8 million purchase price and that by doing so it will defer the use of Bond proceeds for the improvements related to the Mahany Park Community Center and the Blue Oaks median landscaping (estimated to cost \$1.4 million) until the School District repays the \$1,593,000 acquisition price to the City. To compensate the City for deferring the Community Center contribution, the Developers and the City have agreed to pay the City interest on \$1.0 million until the acquisition is complete and \$75,000 in interest expense has been included in the cost of the Improvements. See the cost breakdown for the Improvements set forth under the caption "THE IMPROVEMENTS — Costs of the Improvements" above. The City and the Developers currently anticipate that the actual interest expense will be approximately \$25,000.

In July 1998 the School District and the City entered into a Purchase Agreement (the "School Purchase Agreement") pursuant to which the School District is obligated to purchase the Non-Dedicated School Land from the City once State funding approval has been obtained and the funds are available to the School District. The School District has pledged all North Roseville Specific Plan area school facilities impact fees to secure its obligations under the School Purchase Agreement, which fees are payable in connection with the issuance of building permits. At the time the City receives the purchase price, the City will return the \$1.4 million used to pay Mourier to the Improvement Fund and thereafter may proceed to construct and acquire the Mahany Park Community Center and the Blue Oaks median landscaping.

In the event the School District does not fulfil its obligation to purchase the Non-Dedicated School Land, the City may not have funds available to construct and acquire the Mahany Park Community Center and the Blue Oaks median landscaping; however, in such event, the City will own the 18.02 acres of land which is a part of the planned middle school site.

The approximate \$400,000 difference between the \$1.8 million to be paid to Mourier and the \$1.4 accounted for through the deferral of the Mahany Park Community Center and the Blue Oaks median landscaping is to be funded as a portion of the "Improvements" described herein and is a part of the \$767,460 "Non-Dedicated School Land Acquisition" line item in the cost breakdown of the Improvements shown above under the caption "THE IMPROVEMENTS — Cost of the Improvements" above. The approximate \$367,460 remainder of such line item represents an approximate \$320,700 amount due Sammis and an approximate \$45,237 amount due Diamond Creek, which in both cases represents payments to such entities for excess elementary school land which they are dedicating from their holdings in the District, as described under the following caption, "Other Developer Reimbursements."

Other Developer Reimbursements

In addition to the reimbursements to Mourier, Sammis and Diamond Creek for school land dedications in excess of the dedication required with respect to their developments as described above, approximately \$105,510 is to be reimbursed to Diamond Creek and Mourier from Bond proceeds as compensation to them for dedication of an electric substation and telephone easement in excess of requirements.

Sources of Funds Summary

The funding of the approximate \$22.4 million cost of the Improvements is estimated to be approximately \$17.9 million from Bond proceeds and \$4.5 million from a combination of cash, letters of credit and Diamond Creek's promissory note to Granite, all as described above. Out of the estimated \$17.9 million of Bond proceeds it is anticipated that approximately \$2.2 million will be immediately disbursed to the Developers to pay for the acquisition of land, as described above. In addition, the City anticipates using \$1 million of Bond proceeds for the construction of an interchange. The remaining balance of approximately \$14.7 million of Bond proceeds is anticipated to be available to construct the balance of the Improvements, and approximately \$13 million of this amount is committed under the Acquisition Agreements for construction of the North Improvements and South Improvements. See "Acquisition by the City" below. The following table summarizes the estimated sources and uses of funds for the Improvements.

Sources of Funds:	Uses of Funds			
	North Imp'ments	South Imp'ments	Other Imp'ments	Total
Bond Proceeds (and interest earnings)	\$8.2 million	\$4.8 million	\$4.9 million	\$17.9 million
Developer Contributions ⁽¹⁾	\$2.8 million	\$1.7 million	--	\$4.5 million
TOTAL	\$11.0 million	\$6.3 million	\$4.9 million ⁽²⁾	\$22.4 million

(1) Represents the "gap" and "buydown" funding requirements, as described above.

(2) Includes approximately \$2.2 million to be disbursed to Developers upon issuance of Bonds; \$1.6 million is expected to be recovered and redeposited into Improvement Fund upon purchase of the Non-Dedicated School Land by the School District as summarized under the caption "Excess School Lands and Other Reimbursements to the Developers From Bond Proceeds" above.

The following table summarizes the reimbursements to Developers and funding sources as contemplated in the CFD Financing Report.

TABLE 4
North Roseville Specific Plan
Proposed Funding for Excess Land Dedication
for All Developers

	Excess Land Dedication Funding				
	Mourier	Woodcreek North	Eskaton	Diamond Creek	Total
Value of Excess Dedicated Land					
School Land	\$1,801,529	\$320,694	\$0	\$45,237	\$2,167,460
Electric Substation				100,000	100,000
Roseville Telephone Easement	5,510				5,510
Total Excess Land Value Owed	\$1,807,039	\$320,694	\$0	\$145,237	\$2,272,970
Funded in Mello-Roos					
Community Center	\$1,000,000				\$1,000,000
Blue Oaks Landscaping	400,000				400,000
Non-Dedicated School Land Purchase	401,529	320,694		45,237	767,460
Electric Substation Cost				100,000	100,000
Roseville Telephone Easement	5,510				5,510
TOTAL	\$1,807,039	\$320,694	\$0	\$145,237	\$2,272,970

Source: Economic & Planning Systems, Inc. CFD Financing Plan dated June 9, 1998

Construction Schedule

The plans for the Improvements have been approved by the City, and the bidding process has resulted in awarded contracts for substantially all of the Construction Improvements.

The construction contract for the portion of the Construction Improvements to be constructed with respect to the Diamond Creek and Eskaton property (north of Blue Oaks Boulevard) was awarded to Granite Construction Company and work commenced in June 1998. Diamond Creek is the construction manager for this portion of the construction and anticipates completion of construction of the Construction Improvements north of Blue Oaks Boulevard by Spring of 1999. Granite's work includes the improvements to Blue Oaks Boulevard.

The construction contract for the portion of the Construction Improvements to be constructed with respect to the Mourier and Woodcreek North property (south of Blue Oaks Boulevard) was awarded to Syblon Reid Construction and work commenced in July 1998. Construction representatives from both Mourier and Sammis are jointly acting as the construction manager for this portion of the construction and they anticipate completion of construction of the Construction Improvements south of Blue Oaks Boulevard by spring of 1999.

Acquisition by the City

Diamond Creek, as to one agreement, and Mourier and Sammis, as to the other, have each entered into a Funding, Construction and Acquisition Agreement and an amendment thereto (each, as amended, an "Acquisition Agreement") which respectively provide that Diamond Creek will construct

(or cause to be constructed) the portion of the Improvements required to be constructed under the Diamond Creek and Eskaton Development Agreements, the North Roseville Specific Plan and other project approvals with respect to the Diamond Creek and Eskaton properties and Mourier and Sammis will construct (or cause to be constructed) the portion of the Improvements required to be constructed under the Mourier and Sammis Development Agreements, the North Roseville Specific Plan and other project approvals with respect to the Mourier and Sammis properties and that the City, upon completion of construction of discreet elements of such Improvements and acceptance by the City, will purchase such Improvements. Proceeds of the Bonds will be used for payment of a portion of the purchase price.

Under the Acquisition Agreements, the City will determine the acquisition price at the time the respective Developer requests payment and no maximum acquisition price is specified for any component of the Improvements. Under the Fiscal Agent Agreement and the Acquisition Agreements the portion of the Bond proceeds which may be used to acquire the North Improvements and the South Improvements has been allocated in a "not to exceed" amount of \$8,179,265 for the North Improvements and \$4,889,447 for the South Improvements. The amount available from Bond proceeds to construct the North Improvements and South Improvements will not be enough to pay for such respective Improvements. The Developers are responsible for providing the deficient amount needed and have provided the City with a mechanism for funding the anticipated portion of such deficiency. See "Sources of Funds for Improvements" above.

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no enforceable commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the owners have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondholder will have the ability at any time to seek payment from the owners of property within the District of any Special Tax or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

The Developers have provided the information set forth under the heading "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. No assurance can be given that all information is complete. Although the Developers currently own most of the property within the District, as land development progresses, any Developer may sell portions of its property to various builders or private individuals and certain of the Developers intend to do so. When such sales occur, the ownership of the land within the District will become more diversified. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined in "THE DISTRICT" above may not be continued by the subsequent owner if the parcels are sold, however development by any subsequent owner will be subject to the policies and requirements of the City. The Special Taxes are not personal obligations of the Developers or of any subsequent landowners; the Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

The Developers

Mourier Land Investment Corporation and John Mourier Construction, Inc.

Parcels within the District designated as M-70, M-30 and M-31 are owned by Mourier Land Investment Corporation and parcels M-1 through M-6 are owned by John Mourier Construction, Inc. ("JMC"). Mourier Land Investment Corporation is 100% owned by its president, John Mourier and acquires and holds real properties as long-term investments. Mourier Land Investment Corporation and JMC are collectively referred to herein as "Mourier." Mourier owns approximately 140.5 gross acres (approximately 19%) of the total land area in the District. This ownership represents approximately 18.2% of the total Special Tax lien (based on the relative proportion of the annual maximum Special Tax). The property owned by Mourier in the District is planned for 511 residential units, commercial uses and a school site. See "THE DISTRICT — Anticipated Subdivision Maps and Commencement of Development in the District."

John Mourier has been doing business in the greater Sacramento area as a homebuilder since 1974 and incorporated its homebuilding business as John Mourier Construction, Inc. ("JMC") in 1978. JMC is 100% owned by John Mourier, who is its president. The company typically has over 120 employees and has experienced an average annual home sales volume in excess of \$54 million for the past four years. John Mourier Construction is currently ranked nationally as the 224th largest builder by *Professional Builder Magazine* and locally as the 9th largest builder by the *Sacramento Business Journal*. John Mourier Construction has completed over 3,500 homes in the Sacramento area and builds approximately 350 homes annually. JMC reports that it has received several industry awards including "Builder of the Year", "Best Single Family Home Project of the Year" and "Best Energy Efficient Project of the Year."

Current projects of John Mourier Construction include The Fairways (Roseville, 140 lots), The Summit (Rocklin, 85 lots), Ridgeview (Folsom, 59 lots), Silverleaf (Roseville, 122 lots), The Regency (Elk Grove, 71 lots), Camden Pointe (Sacramento, 354 lots), Vineyard Pointe (Roseville, 54 lots), Heritage Park (Sacramento, 166 lots), Antelope Glen (Antelope, 191 lots) and Heritage at Diamond Oaks (Roseville, 74 lots).

Mourier has invested approximately \$3.6 million to date on its property in the District. In 1993 Mourier Land Investment Corporation purchased all of the property for approximately \$2.25 million; the balance of its investment has been cash used for holding and entitlement costs with respect to the property. Mourier's investment was funded through cash flow generated by capital contributions and by other business operations of Mourier. In July 1998 JMC acquired parcels M-1 through M-6 from Mourier Land Investment Corporation for cash and an approximate \$8.2 million note secured by a first deed of trust against the acquired property. Other than this intercompany note, the property is not encumbered by debt.

The development of the residential parcels, the in-tract developments, home construction and the payment of the Special Taxes will primarily be funded from cash flows of Mourier's other business operations and loans from its existing lines of credit with Wells Fargo Bank, Sacramento, California and Imperial Bank, Sacramento, California. Mourier currently anticipates that the cost of the in-tract development and home construction of the 511 residential units it plans to develop and build to be approximately \$15,000 per unit. Both Wells Fargo Bank and Imperial Bank have currently provided Mourier with lines of credit (secured and unsecured) on a 2-year rolling loan collectively in excess of \$33 million for use in Mourier's business activities.

Sammis Roseville Associates

Sammis Roseville Associates ("Sammis") is a California general partnership. Sammis' primary general partner is Metropolitan Life Insurance Company, a New York Corporation. AEW Real Estate Advisors, Inc., a Massachusetts Corporation, is the asset manager for Metropolitan Life and manages the asset from the Development Properties Account. Sammis owns approximately 232.9 gross acres (32%) of the total land area in the District. This ownership represents a share of 23.3% of the total Special Tax lien (based on the relative proportion of the annual maximum Special Tax Rate).

The local manager of the development of the Woodcreek North project is the Sares-Regis Group of Northern California ("Sares-Regis"). Sares-Regis, its predecessor, the Sammis Company and affiliated companies, have nearly two decades of experience in residential construction, commercial construction, property management and land development. Sares-Regis has built over 13,000 apartment units, developed 3 million square feet of commercial projects, and currently leases and manages 2 million square feet of industrial, office and retail properties for clients. It has built new homes in nearly all of the San Francisco Bay Area counties and most Sacramento area communities.

Sares-Regis personnel primarily responsible for the development of the Woodcreek North project follow.

William F. Heartman, *Senior Vice President*. Mr. Heartman received his Bachelor Degree in Accounting and Finance and MBA in Marketing and Federal Taxation from University of California, Berkeley. He was a Principal, Corporate Broker, and Vice President in charge of all residential subdivisions and developments from acquisition to completion, with primary emphasis on purchasing, planning, entitlements, lot development/construction, and profit for Camray Development and Construction Co., Inc. Mr. Heartman is the Senior Vice President and Sacramento Regional Manager for Sares-Regis. In over 12 years of development experience in the Sacramento area, he has delivered more than 2,000 homes in over 25 separate subdivisions and developed over 3,000 residential lots with a value in excess of a quarter of a billion dollars. Mr. Heartman was the President of the Sales and Marketing Council for the Building Industry Association and a member of the BIA Board of Directors in 1988 and 1989.

Robert R. (Randy) Collins, *Vice President, Development*. In 1975 Mr. Collins received his Bachelor of Science Degree in Natural Resources Management from California Polytechnic State University in San Luis Obispo and thereafter completed two years of graduate studies in Urban and Regional Planning at Fresno State University. Mr. Collins' experience in land development includes working for two home building companies prior to joining Sares-Regis in 1989, where he is primarily responsible for entitlement processing. Mr. Collins' eighteen year career has resulted in a background in project feasibility, annexations, general plan amendments, rezoning, tentative and final subdivision mapping, and environmental regulation.

Robert K. Holmes, *Senior Project Manager*. Mr. Holmes received his Bachelor of Science Degree in Accounting and Real Estate from California State University, Sacramento. Upon graduation, he became a legislative advocate for the Building Industry Association of Southern California and thereafter served the California State Legislature as the Policy Director for the Assembly Minority Caucus, consulted for the Assembly Housing and Community Development Committee and the Assembly Local Government Committee, and worked for Elliott Homes and Lewis Homes (both national top 50 builders) as a Project Manager.

Mr. Holmes' currently is responsible for obtaining project entitlements, including specific plans, general plan amendments, rezonings, tentative map and final subdivision map approvals.

Sammis acquired two large parcels of land totaling 1,608 acres in Roseville in 1997. Woodcreek Oaks, consisting of 883 acres, was entitled in the Northwest Roseville Specific Plan in 1989. Woodcreek North, consisting of 233 acres was recently entitled in the North Roseville Specific Plan, and lies entirely within the District. The remaining 492 acres, Woodcreek West, is located at the north east corner of Fiddymont and Base Line Roads immediately south of Del Webb's Sun City Roseville and not in the District. An application for land use entitlement has been submitted to the City for Woodcreek West.

Sammis has invested approximately \$13 million in the combined Woodcreek North and Woodcreek West projects to date. Additionally, in 1998, approximately \$1 million (\$1,000,000) will be spent mass grading the Woodcreek North project to physically create the 566 lots. Currently, there is no debt against the property.

Sammis' experience in the acquisition, entitlement and sale of land to developers includes its entitlement and sale of 13 parcels consisting of 2,310 dwelling units as part of the Woodcreek Oaks project which received entitlements in 1989. In addition, Sammis sold 3 commercial parcels totaling approximately 36 acres which were a part of that project.

Diamond Creek Partners, Ltd.

Diamond Creek Partners, Ltd. is a California limited partnership. The general partner is Diamond Equities, Ltd., a California limited partnership whose general partner is Diamond Equities, Inc., a California corporation. The president of Diamond Equities, Inc. is Glenn E. Shaffer, Jr. At the time the District was formed, Diamond Creek owned approximately 308.8 gross acres (42%) of the total land area in the District, representing a share of approximately 47.2% of the total Special Tax lien (based on the relative proportion of the annual maximum Special Tax); however on August 21, 1998, Diamond Creek sold Parcels DC-6 and DC-7 comprising a total of approximately 35.6 acres representing a share of approximately 6.0% of the total Special Tax lien, leaving Diamond Creek with approximately 273.2 gross acres, representing a share of approximately 41.1% of the total Special Tax lien. See "Sale of Property Within the District" below.

Glenn E. Shaffer, Jr. has been in the real estate development business for over 30 years and has developed nearly 1,500 lots and built over 200 homes in northern California, including in the Diamond Oaks subdivision in Roseville. In 1984, he became the sole owner of C.D. Communities/Shaffer Management Corporation. Since 1990, that company's activities has been redirected away from homebuilding and into the planning and entitlement of building lots. Shaffer Management Corporation acquired a substantial interest in the Diamond Creek Partners, Ltd., which led to the current ownership structure of the partnership.

Mr. Shaffer assembled a group of investors along with the previous owner of the property, Jane Crocker, to fund the activities of Diamond Creek. In addition to partnership funding, Diamond Creek has undertaken a program to sell portions of the property to be in a position to utilize sale proceeds in the continued funding of its operations. To date, Diamond Creek has completed sales to Eskaton and Louie J. Pappas, trustee, and is currently under contract to sell Parcels DC-1A, 4, 5 and 8. Combined investment in the property from sales proceeds and partnership contribution through July total approximately \$8.2 million. Current debt against the Diamond Creek property with Union Bank is approximately \$900,000. Diamond Creek has recently negotiated a new loan and line of credit with

Tokai Bank that will initially create \$2 million of debt against the property. Diamond Creek will use the excess loan proceeds and continuing sales proceeds to fund Special Taxes and other expenses. Additional partnership capital is also available, if required.

Eskaton Properties, Inc.

Eskaton Properties, Inc. ("Eskaton") is a California not-for-profit public benefit corporation, whose president is John Breaux. The headquarters of the corporation is in Sacramento, California. Eskaton owns approximately 52.2 gross acres (7.1%) of the total land area in the District. This ownership represents a share of approximately 11.3% of the total Bond lien (based on the relative proportion of the annual maximum Special Tax).

Eskaton was originally incorporated in 1967. In 1983, as part of a corporate reorganization, Eskaton created a parent holding company, a non-profit public benefit corporation, which assumed the original Eskaton name. This parent holding company, in turn, renamed the original operating company Eskaton Health Corporation (which in 1998 was further renamed Eskaton Gold River Lodge) and created Eskaton Properties, Inc.

Eskaton is currently the sponsor and manager (although not the legal owner) of twelve low-income housing projects for seniors and developmentally disabled adults that are located throughout northern California and are operating under the U. S. Department of Housing and Urban Development ("HUD") 202/242 programs. Additionally, Eskaton, through a wholly owned for-profit subsidiary, California Healthcare Consultants, owns and operates Visiting Nurse Managed Care, a home care agency headquartered in Carmichael, and through a wholly owned for-profit subsidiary, Western Hospital Equipment and Supply Company, is a 40% partner in a pharmacy.

John Breaux, President. Mr. Breaux joined Eskaton in 1971 as Vice President of Finance, and later assumed the duties of Director, Acute Healthcare Operations (1974), Vice President and Director of Planning and Marketing (1978), and Executive Vice President and Chief Financial Officer (1982). In 1983, he assumed the duties of President of Eskaton Health Corporation, and, in 1985, he became President of Eskaton. He is also a member of the Board of Directors of Eskaton. He has thirty years of healthcare and retirement housing experience. In his prior and current roles, he is, and was, responsible for overall planning, financing, developing, and managing hospitals, skilled nursing facilities, continuing care retirement centers, residential care facilities, market rate and affordable housing, home health care agencies, adult day health care programs, and various other community-based services. As Chief Financial Officer, he was intimately involved in the planning and financing activities of Eskaton. Mr. Breaux was appointed to the State of California Continuing Care Contracts Advisory Committee by both Governor Deukmajian and Governor Wilson. He served as a Director of the California Association of Homes and Services for the Aging and chaired its Public Policy Committee. He is a California representative to the House of Delegates of the American Association of Homes and Services for the Aging, and serves on its national Managed Care Committee. He has also previously served on a variety of community service and professional boards. He has served as a faculty member on numerous programs involving healthcare and financial management, and has authored several articles on the subject of administration and financial management of healthcare facilities.

Sale of Property Within the District

Diamond Creek and Sammis both contemplate selling all of their land within the District zoned for residential development to merchant builders and both entities expect that all of their residential property will be transferred by the end of 1999.

Diamond Creek reports that recent sale negotiations have resulted in the opening of escrows and delivery of non-refundable deposits on certain of its property in the District as follows: (i) an escrow to sell the approximate 10-acre DC-8 parcel (zoned high density residential and planned for 165 units under the North Roseville Specific Plan) to Interland with an anticipated closing by the end of October 1998, (ii) an escrow to sell the approximate 20-acre DC-4 parcel (zoned low density residential and planned for 80 units under the North Roseville Specific Plan) and approximate 11-acre DC-5 parcel (zoned low density residential and planned for 46 units) to Polygon Homes with an anticipated closing by the end of January 1999, (iii) an escrow to sell the approximate 35.6-acre DC-1A parcel (a portion of the DC-1 parcel shown in the North Roseville Specific Plan and is zoned low density residential and planned for 145 units) to Woodside Homes with an anticipated closing by the end of January 1999.

Additionally, on August 21, 1998, Diamond Creek sold Parcels DC-6 and DC-7 comprising a total of approximately 35.6 acres planned for 192 units to Louie J. Pappas, trustee. The trust is not a developer and currently intends to hold the property for investment purposes. The sale represents the exercise of an option held by the trust in connection with its intent to invest in the property at the time it was originally acquired by Diamond Creek.

Sammis reports that marketing of its land within the District has commenced and Sammis projects closing the first sale of a portion of its property in October 1998 with the transfer of parcel WN-4 (approximately 30 acres planned for 142 homes) to a homebuilder.

No assurance can be given that any of the possible sales detailed above will actually occur and no assurance can be given that an owner of any parcel in the District will be the developer of its property in the District or will develop its property in accordance with the North Roseville Specific Plan.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

The City ordered preparation of an appraisal report dated April 14, 1998 (the "Appraisal"), of the estimated value as of April 10, 1998 for the land within the District, which was prepared by Clark-Wolcott Company, Inc. (the "Appraiser"). Excerpts from the Appraisal are set forth in APPENDIX B hereof. The description herein of the Appraisal Report is intended for limited purposes only; the Appraisal Report should be read in its entirety and may be reviewed at the administrative offices of the City.

The Appraisal reports the estimate of the aggregate value of the property within the District as of April 10, 1998. Such valuation is based upon the assumption that improvements to be financed with proceeds of the Bonds and the "gap" and "buydown" funds (as described under the caption "THE IMPROVEMENTS — Sources of Funds for Improvements" above) are complete and operational and that all portions of the property in the District designated for public and quasi public purposes in the

North Roseville Specific Plan are not within the District and, as such, are excluded from the valuation. Due to the unique composition and the assumed condition of the Diamond Creek, Mourier and Woodcreek North holdings, a discounted cash flow analysis was undertaken by the Appraiser rather than a sales comparison or cost approach. Under the discounted cash flow analysis, a series of projected future cash flows are discounted to yield estimates of present value. The discounted cash flow models developed in the valuation analysis incorporate a site-specific market absorption study with the estimates of market (retail) value for each of the parcels. The proposed development of the Eskaton property incorporates a campus-like concept designed for seniors and for that property a sales comparison approach was utilized. The estimates of value determined by the Appraiser as of April 10, 1998 using these methodologies and subject to the limiting conditions and special assumption set forth in the Appraisal is as follows.

Diamond Creek ⁽¹⁾	\$25,900,000
Mourier	11,900,000
Woodcreek North	15,600,000
Eskaton	<u>7,000,000</u>
TOTAL	\$60,400,000

(1) The Appraisal was completed prior to sale to Pappas of Parcels DC-6 and DC-7; accordingly, those parcels are included in the Appraisal as Diamond Creek parcels.

Assumptions and Limiting Conditions. For the purpose of the Appraisal, properties appraised are assumed to be subject to the maximum annual Special Tax obligations.

In considering the estimates of value evidenced by the Appraisal, it should be noted that the Appraisal is based upon a number of standard and special assumptions which affected the estimates as to value. Because the Appraisal set forth the Appraiser's opinion as to value only as of the date of such Appraisal, it does not reflect any changes to value that might have occurred since that date or which may occur in the future.

The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events, such as growth control initiatives and government regulations or the discovery of toxic substances on land within the District reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See "SPECIAL RISK FACTORS — Future Land Use Regulations and Growth Control Initiatives" and "— Hazardous Substances" below. See "APPENDIX B — EXCERPTS FROM THE APPRAISAL" hereto for a description of other assumptions made by the Appraiser. Accordingly, because the Appraiser arrives at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

Property values are not likely to be evenly distributed throughout the District; thus, when individual parcels are ultimately created and recorded, certain parcels may have a greater value per acre than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the Bonds are outstanding in that the City has no control over the market value of the property within the District or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See "Priority of Lien" below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see "SPECIAL RISK FACTORS" herein.

The complete Appraisal is on file with the City and is available for public inspection at the City offices at 311 Vernon Street, Roseville California 95678. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal. The information contained herein and in APPENDIX B is a summary only of certain information contained in the Appraisal, and such information and the information contained in APPENDIX B are qualified in their entirety by the Appraisal.

Value to Special Tax Burden Ratios

The Appraisal sets forth the aggregate valuation of all taxable property expected to be within the District to be \$60.4 million subject to the limiting conditions stated therein. (See "The Appraisal" above.) The principal amount of Bonds is \$20.135 million. Consequently, the aggregate value of the real property within the District is approximately 3.0 times the principal amount of the Bonds. The table on the following page shows the ratio on a bulk ownership basis.

In comparing the appraised value of the real property within the District and the principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within the District unless all of the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

TABLE 7
North Roseville Community Facilities District No. 1
Value to Special Tax Burden Ratios

Property Ownership	Project Name	Gross Acres	Net Acres	No. of Residential Units	APNs	Allocation of Lien ⁽¹⁾	Appraised Value ⁽²⁾	Value to Lien Ratio	% of Total Lien
Diamond Creek ⁽³⁾	Diamond Creek	308.8	227.32	997	017-112-035 017-112-036	\$9,501,636	\$25,900,000	2.73	47.18%
Mourier	Mourier 140	140.5	97.74	511	017-230-009	\$3,667,617	\$11,900,000	3.24	18.22%
Eskaton	Eskaton	52.2	52.2	400	017-112-038	\$2,270,827	\$7,000,000	3.08	11.28%
Samimis	Woodcreek North	232.9	130.34	566	017-230-038 017-230-039 017-230-040	\$4,694,920	\$15,600,000	3.32	23.32%
Subtotal		734.4	507.60	2,474		\$20,135,000	\$60,400,000	3.00	100.00%

(1) Based on the maximum Special Tax per parcel as set forth in the Special Tax Formula, divided by the aggregate maximum Special Tax on all parcels, and multiplied by the amount of outstanding Bonds.

(2) Parcel values from the Appraisal.

(3) Does not reflect recent sale to Pappas described under the caption "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT --- Sale of Property Within the District" above.

Other public agencies whose boundaries overlap those of the District could, without the consent of the City and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. The purpose would be to finance additional regional or local public improvements or services. The lien created on the land within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by the Developer or the merchant builders in order to complete their project. The deeds of trust securing such debt on property within the District, however, will be in a junior position to the lien of the Special Tax.

Priority of Lien

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within the District and payment of the Special Tax is secured by a lien on certain real property within the District. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in the District. The imposition of additional Special Taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

The City and the Developers anticipate that a community facilities district will be established which will include the property in the District, for the purpose of maintenance of the landscaping and open space areas. The annual charge of this district per single family residential unit is expected to be approximately \$100. There can be no assurance that the property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity Special Taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities.

Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

SPECIAL RISK FACTORS

Possibility of Insufficient Funds to Complete Improvements

The cost of the Improvements will exceed the amount available from Bond proceeds to pay for the Improvements and no assurance can be given that the excess moneys needed to complete the Improvements will be available. See "THE IMPROVEMENTS — Developer Source of Funds for "Gap" and "Buydown" Funding" above.

Failure to Develop Properties

Land development operations are subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will

not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect land development operations. In addition, future initiatives approved by the voters or regulations or policies adopted by the City could add more restrictions and requirements on development within the District. See "Future Land Use Regulations and Growth Control Initiatives" below.

Moreover, there can be no assurance that land development operations within the District will not be adversely affected by a deterioration of the real estate market and economic conditions or the adoption of local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of the interest on the Bonds and such a default could impair the ability of the City to issue additional bonds should it be required to do so.

Concentration of Ownership

All of the land within the District is currently owned by or controlled by five entities. There may be subsequent transfers of ownership of the property within the District prior to completion of development. The fact that all of the land within the District to which responsibility for the Assessment has been assigned is currently controlled by a small number of owners causes the responsibility for the payment of the annual Assessment to be apportioned only to those owners. Because of the existing concentration of ownership of District land, the timely payment of the Bonds depends upon the willingness and ability of the owners to pay the Special Taxes when due. The only asset of the owner of property within the District which constitutes security for the Bonds is such owner's real property holdings located within the District. See "Bankruptcy" below.

Future Land Use Regulations and Growth Control Initiatives

During the past several years, citizens of a number of communities in California have placed measures on the ballot designed to control the rate of future growth, including in the City, where in 1997 a growth-control initiative was firmly defeated. Although none of the initiatives are relevant to the District, it is possible that similar initiatives could be enacted, could become applicable to the Improvements and could negatively affect the ability of the Developers to complete the proposed Improvements. Owners of the Bonds should assume that any event that significantly affect the ability to develop land in the District would cause the land values within the District to decrease substantially and could affect the willingness and ability of the owners of the land within the District to pay the Special Taxes when due. The Development Agreements are intended to vest the Developer's rights to the extent permitted by law and provide some degree of certainty of the Developer's right to develop its property in accordance with the Development Agreement.

Government Code Section 66474.3, enacted by the California State Legislature in 1988, provides some limited protection against the adverse impact resulting from a growth management initiative. The provision empowers a local legislative body to allow a project to develop in spite of a growth management initiative or ordinance if the local legislative body finds that application of the enacted initiative measure is likely to cause a default on land-secured bonds issued to finance infrastructure benefiting the project. In such case, the City or the County could permit development in the District to proceed in a manner consistent with an approved tentative map. The cited Government Code section includes in the definitions of land-secured bonds, any bonds issued pursuant to the Act so long as such

bonds were issued and sold at least 90 days before the proposed initiative was adopted by either popular vote or by ordinance adopted by the legislative body.

In evaluating the investment quality of the Bonds, investors should assume that the possible enactment of more restrictive land use policies or regulations by the City, by the County or by voter initiative presents a substantial risk to the timely construction and completion of development in the District, except with respect to units for which building permits have already been issued and substantial work and liabilities have been incurred in good faith reliance thereon prior to the date of adoption of any such land use regulations.

The failure to complete development in the District as planned, or substantial delays in the completion of the development due to litigation or other causes may increase the amount of delinquencies and/or reduce the value of the property within the District.

Hazardous Substances

Any discovery of a hazardous substance detected on property within the District would affect the marketability and the value of some or all of the property in the District. In that event, the owners and operators of a parcel within the District may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are also applicable to property within the District and are as stringent as the federal laws. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels be contaminated by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within the District by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the parcels within the District has a current liability for a hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them. A "Phase 1" environmental report was prepared for the property in the District in connection with the establishment of the North Roseville Specific Plan.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel within the District that is realizable upon a foreclosure sale.

Land Development Costs

Development of land within the District is contingent upon construction or acquisition of major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage and flood protection facilities, gas, telephone and electrical facilities and street lighting, some but not all of which will be financed with proceeds of the Bonds, as well as local in-tract improvements. There can be no assurance that all of these improvements will be constructed or will be constructed in a timely manner to permit the completion of development currently planned for the District. The Developers or persons purchasing property within the District from a Developer will be responsible for obtaining a loan or other source of funds to pay costs of such development.

The cost of these public and private in-tract, on-site and off-site improvements could increase the public and private debt for which the land within the District is security. This increased debt could reduce the ability or desire of the owners of property within the District to pay the annual Special Taxes levied against the property. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" herein.

Land Values

The excerpts from the Appraisal included as APPENDIX B sets forth the assumptions of the Appraiser in estimating the market value of the property within the District as of the date indicated. No assurance can be given that the land values are accurate if these assumptions are incorrect or that the values will not decline in the future if one or more events, such as natural disasters or adverse economic conditions, occur.

Bankruptcy

The payment of property owners' taxes and the ability of the District to foreclose the lien of delinquent unpaid Special Taxes may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure," herein.

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

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a default in payment of the interest on the Bonds and the possibility of delinquent tax installments not being paid in full.

Other Public and Private Debt

The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District. The City and the Developers anticipate that a community facilities district will be established

which will include the property in the District, for the purpose of maintenance of the landscaping and open space areas. The annual charge of this district per single family residential unit is expected to be approximately \$100. There can be no assurance that the property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity Special Taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities. See "Parity Taxes and Special Assessments," herein.

In addition to liens for special taxes or assessments to finance public improvements of benefit to land within the District, owners of property may obtain loans from banks or other private sources which loans may be secured by a lien on the parcels in the District. Such loans would increase amounts owed by the owner of such parcel with respect to development of its property in the District, however, the lien of such loans would be subordinate to the lien of the Special Taxes.

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all Special Taxes and special assessments and is co-equal to and independent of the lien for general property taxes upon the same property regardless of when they are imposed. The Special Taxes have priority over all existing and future private liens imposed on the property.

Insufficiency of Special Taxes

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or device, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property, to the extent necessary to cover outstanding debt, is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. If the federal government or another non-taxable entity successfully takes the position that property owned by it or in which it has a security interest and subject to the Special Tax becomes exempt from taxation, the Special Tax will be reallocated to the remaining taxable properties within the District, subject to the limitation of the maximum authorized rate of levy on each parcel. This could result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax.

Tax Delinquencies

Under provisions of the Act, the Special Taxes will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for nonpayment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax payments in the future.

The Special Tax for the 1998-99 fiscal year has been levied against property in the District and such tax is due in two installments payable without penalty by December 10, 1998 and April 10, 1999. In the event such Special Taxes are not timely paid, moneys available to pay debt service on the Bonds becoming due on March 1, 1999 and September 1, 1999 may be insufficient.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure," for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of Special Taxes.

No General Obligation of the City

The Bonds are not general obligations of the City but are limited obligations of the City and the District payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property in the event of a foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Any tax for the payment of the Bonds will be limited to the Special Tax to be collected within the jurisdiction of the District.

Ballot Initiatives

From time to time, initiative measures qualify for the State ballot pursuant to the State's constitutional initiative process and those measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, the County or other local districts to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of the vacant land within the District. See "Failure to Develop Properties" above. See also "Proposition 218" below.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments and property related fees and charges.

Article XIII D requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the City (including, if applicable, any increase in such assessment or any supplemental assessment) must be conducted in conformity with the provisions of Section 4 of Article XIII D. The City has conducted its proceedings with respect to the levy of the assessment within the District in a manner which it reasonably believes complies with the new requirements.

Article XIII C removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIII C does not define the term "assessment", and it is unclear whether this term is intended to include assessments levied under the Act. In the case of the unpaid assessments which are pledged as security for payment of the Bonds, the laws of the State provide a mandatory, statutory duty of the City and the County Auditor to post installments on account of the unpaid assessments to the property tax roll of the County each year while any of the Bonds are outstanding, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainly the outcome of such determination.

Payments by FDIC

The ability of the City to collect the Special Taxes and interest and penalties specified by state law, and to foreclose the lien of delinquent Special Taxes, may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal governmental agencies has or obtains an interest. On June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "1991 Policy Statement"). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on FDIC's interest in the property as appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. With respect to property in California owned by the FDIC on January 9, 1997 and that was owned by the RTC on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Mello-Roos Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The FDIC has filed claims against Orange County, California in the United States Bankruptcy Court and in Federal District Court contending, among other things, that special taxes are not *ad valorem* taxes, and therefore not payable by the FDIC, and any special taxes previously paid by the FDIC must be refunded. The FDIC is also seeking a ruling that special taxes may not be imposed on properties which are in FDIC receivership. On March 2, 1998, the Bankruptcy Court issued a tentative ruling supporting

the FDIC's positions. The Federal District Court has not yet issued a ruling on the matter. If the Bankruptcy Court and the Federal District Court issued final rulings supporting the FDIC's positions, it is likely that Orange County will appeal the decisions. If Orange County does not appeal any such final decision, or if Orange County's appeal is unsuccessful, Orange County, and accordingly, the City may be required to refund any Special Taxes collected from property in FDIC receivership prior to the rulings, and would not be able to collect Special Taxes with respect to property that is, or in the future becomes, subject to FDIC receivership prior to January 1, 1997, and, based upon the secured tax roll as of January 1, 1997, the FDIC does not presently own any of the property in the District.

The City is unable to predict what effect the FDIC's application of the Policy Statement would have in the event of a delinquency on a parcel within the District in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the Bonds.

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Article XIII A of the California Constitution, commonly known as "Proposition 13," provides that each county will levy the maximum *ad valorem* property tax permitted by Proposition 13 and will distribute the proceeds to local agencies in accordance with an allocation formula based in part on pre-Proposition 13 *ad valorem* property tax rates levied by local agencies.

Article XIII A limits the maximum *ad valorem* tax on real property to 1% of "full cash value," which is defined as the County Assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect increases of no more than 2% per year or decreases in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and requires a vote of two-thirds of the qualified electorate to impose Special Taxes or any additional *ad valorem*, sales, or transaction taxes on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues. On June 3, 1986, California voters approved an amendment to Article XIII A of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Tax on the parcels within the District.

State and local government agencies in the State, and the State itself are subject to annual appropriation limits, imposed by Article XIII B of the State Constitution. Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limits imposed. "Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which consist of tax revenues, certain state subventions and certain other funds,

including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. No limit is imposed on appropriations of funds which are not "proceeds of taxes" such as debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges or fees and certain other non-tax funds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next January 15th after the end of the City's fiscal year (presently June 30) in each year commencing with its report for the 1998-99 fiscal year (the "City Annual Report") and to provide notices of the occurrence of certain enumerated events. Each of the Developers, as owner of certain property within the District, have also covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than April 1, commencing with its report due April 1, 1999 (the "Developer Annual Report") and to provide notices of the occurrence of certain enumerated events. The City Annual Report and the Developer Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City and the Developer is summarized in "APPENDIX F — PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENTS." Each Developer's obligation to provide such information is in effect only so long as the Developer, or the Developer's successors, are responsible for a certain percentage of the Special Taxes, as described in the Developer Annual Report.

UNDERWRITING

The Bonds were purchased through negotiation by Stone & Youngberg (the "Underwriter"). The Underwriter agreed to purchase the Bonds at a price of \$19,853,110.00 (which is equal to the par amount of the Bonds, less the Underwriter's discount of \$281,890.00) plus accrued interest. The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the 1998 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Financial Management, Inc., is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

LEGAL OPINION

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Nossaman, Guthner, Knox & Elliott, LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E to this Official Statement, and the final opinion will be made available to registered owners of the Bonds at the time of delivery. A portion (less than one-sixth) of the fees payable to Bond Counsel are contingent upon the sale and delivery of the Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance of the Bonds for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. These requirements include, but are not limited to, restrictions on the use of bond proceeds and provisions which prescribe yield and other limits within which the proceeds of the Bonds are to be invested and require that certain investment earnings must be rebated on a periodic basis to the United States of America. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Pursuant to the Fiscal Agent Agreement, the City has covenanted to comply with the requirements of the Code and to cause the payment to the United States Treasury of any and all amounts required to be rebated under the Code with respect to the outstanding Bonds.

In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California, Bond Counsel, subject to the qualifications set forth below, under existing law and assuming compliance by the City with the aforementioned covenants, interest on the Bonds is excluded from gross income for purposes of federal income taxation. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in certain earnings for purposes of federal alternative minimum taxable income of such corporations.

Although Bond Counsel has rendered an opinion that the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction and Bond Counsel expresses no opinion regarding any such consequences. Additionally, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of delivery of the Bonds may affect the tax status of the Bonds.

Bond Counsel is further of the opinion that under existing law, interest on the Bonds is exempt from personal income taxation imposed by the State of California.

RATINGS

The City has not and does not contemplate applying to a rating agency for the assignment of a rating to the Bonds.

NO LITIGATION

At the time of delivery of and payment for the Bonds, the City Attorney will deliver his opinion that to the best of its knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the City affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents.

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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CITY OF ROSEVILLE
NORTH ROSEVILLE
COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT

1. BASIS OF SPECIAL TAX LEVY

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (the "Act") applicable to the land in the North Central Roseville Community Facilities District No. 1 (the "CFD") of the City of Roseville (the "City") shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. DEFINITIONS

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

"Administrative Expenses" means the costs incurred by the City to determine, levy and collect the Special Taxes, including salaries of City employees and the fees of consultants and corporate bond paying and/or fiscal agents or trustees for bonds and the costs of collecting installments of the Special Taxes upon the general tax rolls; preparation of required reports, and any other costs required to administer the CFD as determined by the Finance Director of the City of Roseville.

"Annual Costs" means for each Fiscal Year for the CFD, the total of 1) Debt Service; 2) Administrative Expenses and County fees; 3) any amounts needed to replenish bond reserve funds and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year, and 4) any pay-as-you-go expenditures for authorized improvements; less any amounts paid to the CFD from reimbursements and/or prepaid Special Taxes as described in Section 7.

"Annual Tax Revenues" means the amount of Special Taxes required each Fiscal Year to pay the Annual Costs.

"Base Year" means Fiscal Year ending June 30, 1998.

"Bond Share" means the Benefit Share for a Parcel multiplied by the applicable total of outstanding bonds as specified in option 2, Step 3, of Section 7 of this Rate and Method of Apportionment.

"Bond Year" means the 12-month period ending on the second bond payment date of each calendar year as defined in the resolution authorizing the issuance of bonds.

"CFD" means the North Roseville Community Facilities District No. 1 of the City of Roseville.

"City" means the City of Roseville, California.

"Council" means the City Council of the City of Roseville as the legislative body for the CFD under the Act.

"County" means the County of Placer, California.

"County Assessor's Parcel" means the Parcel and Parcel number as recorded by the County Assessor on the equalized tax roll.

"Debt Service" means for each Fiscal Year or Bond Year, the total amount of principal and interest for any bonds of the City for the CFD during that Fiscal Year, less any applicable credits that may be available from any other sources and less any interest on reserve funds and other funds available to the City to pay principal and interest for the previous or current Fiscal Year or Bond Year. At the City's discretion, applicable credits may be used to: retire outstanding bonds, reimburse landowners for up-front funding of CFD facilities, or any other appropriate CFD funding purpose.

"Delinquency Coverage" means the amount of Maximum Special Tax levied in each Fiscal Year to replenish the Bond Reserve Fund or to anticipate future delinquencies based on the historical delinquency rate for the CFD or the City as whole.

"Final Subdivision Map" means a map designating the final Parcel splits for individual single-family residential Parcels. A Large-Lot Subdivision Map for single-family residentially zoned land is not considered a Final Subdivision Map for purposes of levying the Special Tax.

"Finance Director" means the Finance Director for the City of Roseville or his or her designee.

"Fiscal Year" means the period starting July 1 and ending the following June 30.

"Gross Acre(age)" means the acreage of a parcel prior to dedication of right-of-way for streets, roads, landscaping, and other public purposes.

"Large-Lot Subdivision Map" means a map delineating Parcels by land use and providing an opportunity to transfer ownership of the delineated Parcels.

"Low-Income Purchase Unit" means a single-family residential unit that is designated as a low-income for-purchase unit under the provisions of the Housing section of the NRSP. The Low-Income Purchase Units designated in each Special Tax Group are:

- Special Tax Group A 43 units
- Special Tax Group B 18 units
- Special Tax Group C 40 units

"Low-Income Adjustment Factor" means a factor by which the Maximum Special Tax for a designated Low-Income Purchase Unit in Special Tax Groups A and B is multiplied to reduce the assigned Maximum Special Tax for the single-family Parcel. The adjustment factors vary by Special Tax Group, as shown below:

- Special Tax Group A 0.783
- Special Tax Group B 0.646

"Maximum Special Tax" means the greatest amount of Special Tax that can be levied against a Taxable Parcel in any Fiscal Year. Each time a taxable parcel is subdivided, the Maximum Special Tax will be reassigned to the Successor Parcels.

"Maximum CFD Revenue" means the sum of the Maximum Special Tax for all of the Taxable Parcels in a Special Tax Group or the entire CFD.

"NRSP" means the North Roseville Specific Plan.

"Net Acre(age)" means the acreage of a parcel as shown on the final subdivision map or parcel map excluding right-of-way dedicated for streets, roads, landscaping, and other public purposes.

"Original Parcel" means a Parcel as it existed at the time of the adoption by the Council of the Resolution of Formation and as shown on **Attachment 1**.

"Parcel" means any County Assessor's Parcel in the CFD based on the equalized tax rolls of the County.

"Partial Prepayment" means a Prepayment for less than the full portion of the Special Tax obligation for one or more Parcels.

"Partial Prepayment Factor" means a factor by which Maximum Special Tax Rates for a Partial Prepayment Parcel are multiplied to calculate adjusted Maximum Special Tax Rates. Each Partial Prepayment Factor shall be calculated according to the steps described under Section 7 hereof.

"Partial Prepayment Parcel" means a Parcel that has had a portion of its Special Tax obligation satisfied with a Prepayment under Section 7 hereof. Such Parcels shall be liable for a Special Tax Levy based on adjusted Maximum Special Tax Rates. If one or more Successor Parcels are created through the Subdivision of a Partial Prepayment Parcel, each of these Successor Parcels shall also be a Partial Prepayment Parcel. The Partial Prepayment Factor that applies to the Partial Prepayment Parcel prior to Subdivision shall apply to these Successor Parcels.

"Public Parcel" means any Parcel that is (1) publicly owned, and (2) is normally exempt from the levy of general **ad valorem** property taxes under California law, including public streets; schools; parks; and public drainage ways, public landscaping, greenbelts, and public open space. These Public Parcels -- so identified at the formation of CFD -- are exempt from the levy of Special Taxes.

"Prepayment" means the full payment of Maximum Special Taxes prior to the termination of Special Taxes for the CFD as a whole.

"PWD" means the Public Works Director for the City of Roseville or his or her designee.

"Reserve Fund Share" means the lesser of (i) the reserve requirement on all outstanding bonds, or (ii) the reserve fund balance on all outstanding bonds, multiplied by the Benefit Share for a given Parcel.

"Special Tax(es)" mean(s) any tax levy under the Act in the CFD.

"Special Tax Group" means a group of parcels that will be responsible for a percentage of the Annual Costs. The percentage share is equal to the total Maximum Special Taxes for a given Special Tax Group divided by the total Maximum Special Taxes for all Special Tax Groups.

"Subdivision" means a group of Successor Parcels created from an Original Parcel through the Subdivision Map Act process.

"Successor Parcel" means a Parcel created by Subdivision, lot line adjustment, or parcel map from an Original Parcel.

"Tax Collection Schedule" means the document prepared by the City for the County Auditor to use in levying and collecting the Special Taxes each Fiscal Year.

"Taxable Parcel" means any Parcel that is not exempt from Special Taxes as defined below.

"Tax-Exempt Parcel" means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (1) Public Parcels identified at the formation of the CFD or created by subdivision of an Original or Successor Parcel, and (2) any Parcel that has prepaid its Special Taxes under Section 7 hereof.

3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX

The Finance Director shall prepare a list of the Parcels subject to the Special Tax using the records of the County Assessor and the City's own records. The City shall identify the Taxable Parcels from a list of all Parcels within the CFD using the procedure described below.

- 1) Exclude all Tax-Exempt Parcels.
- 2) The remaining Parcels are subject to the Special Tax according to the formula detailed below.

It shall be the burden of the taxpayer to timely correct any errors in the determination of the Parcels subject to the Special Tax and their Special Tax assignments.

4. TERMINATION OF THE SPECIAL TAX

The Special Tax will be levied for as long as is needed to pay the principal and interest on debt incurred in order to construct the authorized facilities and to pay the Annual Costs. However, in no event shall the Special Tax be levied after Fiscal Year 2034-2035.

When all Annual Costs incurred by the CFD have been paid, the Special Tax shall cease to be levied. The Council shall direct the City Clerk to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished. The Notice of Cessation of Special Tax shall additionally identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

5. ASSIGNMENT OF MAXIMUM SPECIAL TAXES

The CFD is divided into three Special Tax Groups as shown on **Maps 1 and 2**. By August 1 of each Fiscal Year, using the Definitions from Section 2 and the Maximum Special Tax rates from **Attachments 1 through 3**, the Finance Director shall assign the Maximum Special Taxes to Parcels in each Special Tax Group as follows:

1. Each Parcel to be classified as a Tax-Exempt Parcel or a Taxable Parcel;
2. Each Taxable Parcel to be classified as an Original Parcel, a Successor Parcel, or a Partial Prepayment Parcel.

The assignment of the Maximum Special Tax to Taxable Parcels in each Special Tax Group is as follows:

- a) Partial Prepayment Parcels — the Maximum Special Tax for all Partial Prepayment Parcels is assigned by multiplying the Maximum Special Tax from **Attachment 1, 2, or 3**, or as otherwise calculated for a Successor Parcel, by the Partial Prepayment Factor for that Parcel.
- b) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on **Attachment 1** for Special Tax Group A, **Attachment 2** for Special Tax Group B, and **Attachment 3** for Special Tax Group C.
- c) Successor Parcel - the Maximum Special Tax for each Successor Parcel is determined as follows:
 - (i) If the Successor Parcel is the result of a single-family residential or individually-owned residential condominium Parcel Subdivision, divide the Maximum Special Tax assigned to the Original Parcel or Successor Parcel, as calculated under (b) above or (c)(ii) below, by the number of single-family residential Parcels or residential condominium units. The result of this calculation is the Maximum Special Tax for each single-family residential or residential condominium Successor Parcel within the Subdivision.

- (ii) If the Successor Parcel is the result of a non-residential or multi-family Subdivision, or a single-family residential subdivision that is not creating final residential lots:
- calculate the percentage of the Successor Parcel's square footage to the total square footage for all Successor Parcels of that Original or Successor Parcel that are Taxable Parcels; then,
 - multiply this percentage by the Maximum Special Tax assigned to the previous Original Parcel or Successor Parcel. The result of this calculation is the Maximum Special Tax.
- d) Low-Income Purchase Units - If a single-family Parcel is designated as a Low-Income Purchase Unit, multiply the assigned Maximum Special Tax per single-family Parcel calculated in c) above by the Low-Income Adjustment Factor for the Special Tax Group to arrive at the adjusted Maximum Special Tax for the Low-Income Purchase Unit.

In no event shall the cumulative reductions in Maximum Special Taxes for Low-Income Purchase Units in a given Special Tax Group exceed the anticipated reductions shown on **Attachments 1, 2, and 3**. If the reduction for a Low-Income Purchase Unit will exceed the total reductions anticipated for a given Special Tax Group, no adjustment to the assigned Maximum Special Tax will be granted.

- e) Residential Unit/Maximum Special Tax Transfer - the Maximum Special Tax assigned to a residential Parcel under (a), (b), or (c) above, may be adjusted within a Special Tax Group to reflect a change in original residential units, shown in Attachment 1, in the following manner:
- 1) Calculate the existing Maximum Special Tax per unit by dividing the Maximum Special Tax for the Parcel by the number of units assigned to that Parcel;
 - 2) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the calculation in 1). Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and Maximum Special Tax.
 - 3) Subtract the total Maximum Special Tax and the number of units being transferred from step 2) from the Parcel transferring the Maximum Special Tax and the residential units.
 - 4) If this process results in uneven Maximum Special Taxes between residential Subdivisions, the revised Maximum Special Taxes may be adjusted further to accommodate a uniform Special Tax throughout the CFD subject to the provisions below.

Such unit and Special Tax transfer will be allowed under the following conditions:

- (i) any decrease in one Parcel's Maximum Special Tax assignment is offset by an equal increase in the Maximum Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Special Taxes;
 - (ii) all adjustments are agreed to by the affected property owners and the Finance Director; and,
 - (iii) no transfers of units will be allowed between Special Tax Groups.
- f) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a parcel designated as a Public Parcel is not needed for public use and is converted to a private use, it shall become subject to the Special Tax. The Maximum Special Tax for each such Parcel shall be set equal to the average Maximum Special Tax per unit or acre for Parcels with similar land use designations.
- g) Taxable Parcels Acquired by a Public Agency - Taxable Parcel that are acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum Special Tax from the previously Taxable Parcel is transferred to the newly Taxable Parcel. This trading of Parcels will be permitted to the extent that there is no net loss in Maximum Special Tax Revenue.

6. SETTING THE ANNUAL SPECIAL TAX RATE

The Special Tax levy for each Parcel will be established annually as follows:

- 1) Compute the Annual Costs using the definitions in Section 2.
- 2) Assign a share of the Annual Costs to each Special Tax Group by multiplying the Annual Costs by the percentages given for each Special Tax Group in **Attachments 1, 2, and 3**.
- 3) For Public Parcels, no Special Tax shall be apportioned or levied, except as noted in Section 5, Step 2 g) above.

- 4) For each Special Tax Group, determine the Special Tax levy for each parcel as follows:
- Step 1: Calculate the Maximum Special Tax Revenue by summing the Maximum Special Tax for each Taxable Parcel.
- Step 2: Compare the Annual Costs with the Maximum Special Tax Revenue from Taxable Parcels calculated in the previous step.
- Step 3: If the Annual Costs are less than the Maximum Special Tax Revenue, decrease the Special Tax levy proportionately for each Taxable Parcel until the Special Tax Revenue equals the Annual Costs.
- 5) Prepare the Tax Collection Schedule for each Parcel and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the following Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

The City shall make every effort to correctly assign the number of taxable units and calculate the Special Tax for each parcel. It shall be the burden of the taxpayer to correct any errors in the determination of the parcels subject to the tax and their Special Tax assignments.

As development and subdivision of the NRSP takes place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD, its Maximum Special Tax, and the authorized Maximum Special Tax on all Parcels within in the CFD available for public inspection. This record shall show the Maximum Special Tax on all Original and Successor Parcels and a brief description of the process of assigning the Special Tax each time a Successor Parcel was created, including any adjustments due to change in use. The record will also indicate whether a Parcel is a Prepayment Parcel or a Partial Prepayment Parcel.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

With a Prepayment, a landowner may satisfy all or a portion of the Special Tax obligation on any given Parcel:

Landowners may permanently satisfy all or part of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- The Parcel is a whole Original Parcel greater than one acre or a Successor Parcel greater than ten acres.
- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on outstanding bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.

- Prior to the calculation of the prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

The prepayment amount shall be established by following the steps in Part A, B, C and D below.

Part A: Prepayment Prior to any Bond sale

- Step A.1: Determine the anticipated construction proceeds for the Original Parcel as stated on the Maximum Special Tax Attachment for the Special Tax Group or as assigned for a Successor Parcel.
- Step A.2: Determine the total Prepayment amount by adding to the amount from Step A.1 the Parcels share of any costs incurred in the formation of the CFD and any other costs incurred by the City in the calculation or application of the Prepayment proceeds.

Part B: Prepayment of Outstanding Bond Share

- Step B.1: Determine the Maximum Special Tax for the Parcel based on the assignment of the Maximum Special Tax described in Section 5 above.
- Step B.2: Determine the "Benefit Share" by dividing the Maximum Special Tax determined in Step 1 by the Maximum CFD Revenue for all Parcels in the CFD.
- Step B.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share From Step 2 by the total amount of outstanding bonds issued by the CFD.
- Step B.4: Determine the Reserve Fund Share associated with the Bond Share determined in Step 3 and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the reserve requirement on all outstanding bonds multiplied by the Benefit Share. At the City's discretion, the Reserve Fund Share may be withheld from the Prepayment calculation and refunded to the Prepaying landowner at the time that bonds are called.
- Step B.5: Determine the Outstanding Bond Share by adding to the amount calculated in Step 4 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

Part C: Partial Prepayments

If the prepayment is a partial prepayment, then the property owner shall designate an amount which is less than the total prepayment amount determined above for the prepaying Parcel (or group of prepaying Parcels) and which results in a bond call in a whole number multiple of \$5,000. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount. The City shall then determine the Partial Prepayment Factor by the following procedure:

- Step C.1: Subtract the amount of the partial prepayment from the full prepayment amount calculated in Step 5 of Part B or C above;
- Step C.2: Subtract any fixed costs (such as the cost of the prepayment calculation and other fees which do not vary proportionally with the size of the prepayment) of the Prepayment from the full repayment amount;
- Step C.3: Divide the result of Step 1 by the result of Step 2; and
- Step C.4: If a partial prepayment had previously been made for this Parcel, multiply the result of Step 3 times the previously calculated Partial Prepayment Factor.

Part D: Transfers

Make the appropriate transfers from the Reserve Fund to the prepayment fund, as follows:

- Step D.1: For a full prepayment transfer the amount of the Reserve Fund Share.
- Step D.2: For a partial prepayment, transfer an amount equal to the Reserve Fund Share times one minus the Partial Prepayment Factor.

8. ADMINISTRATIVE CHANGES AND APPEALS

The Finance Director or designee has the authority to make necessary administrative adjustments to the Rate and Method of Apportionment in order to remedy any portions of the Special Tax formula that require clarification.

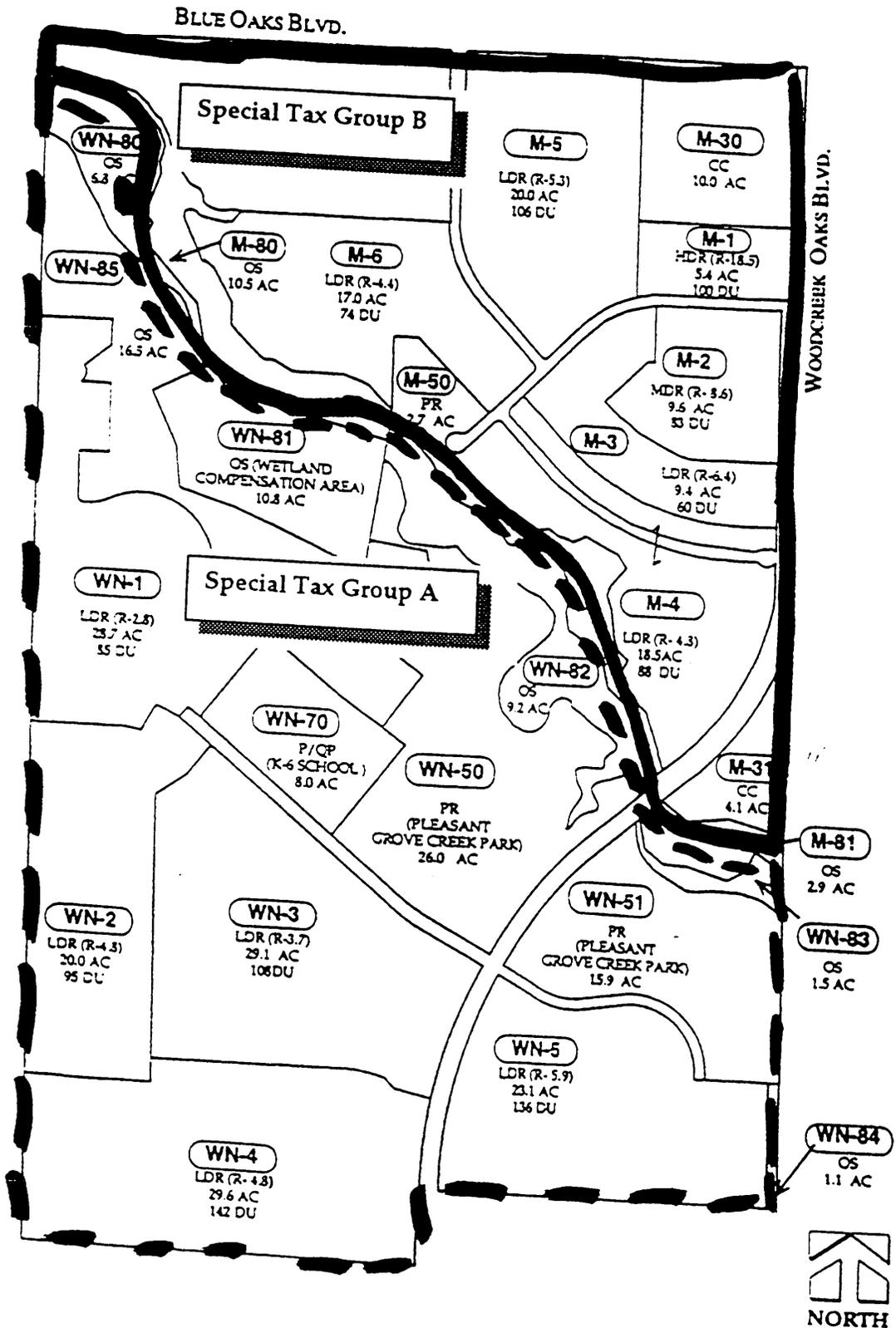
Any taxpayer who feels that the amount of the Special Tax assigned to a parcel is in error may file a notice with the Finance Director appealing the levy of the Special Tax. The Finance Director will then promptly review the appeal, and if necessary, meet with the applicant. If the Finance Director verifies that the tax should be modified or changed, a recommendation at that time will be made to the City Council and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

Interpretations may be made by Resolution of the City Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties or any definition applicable to the CFD.

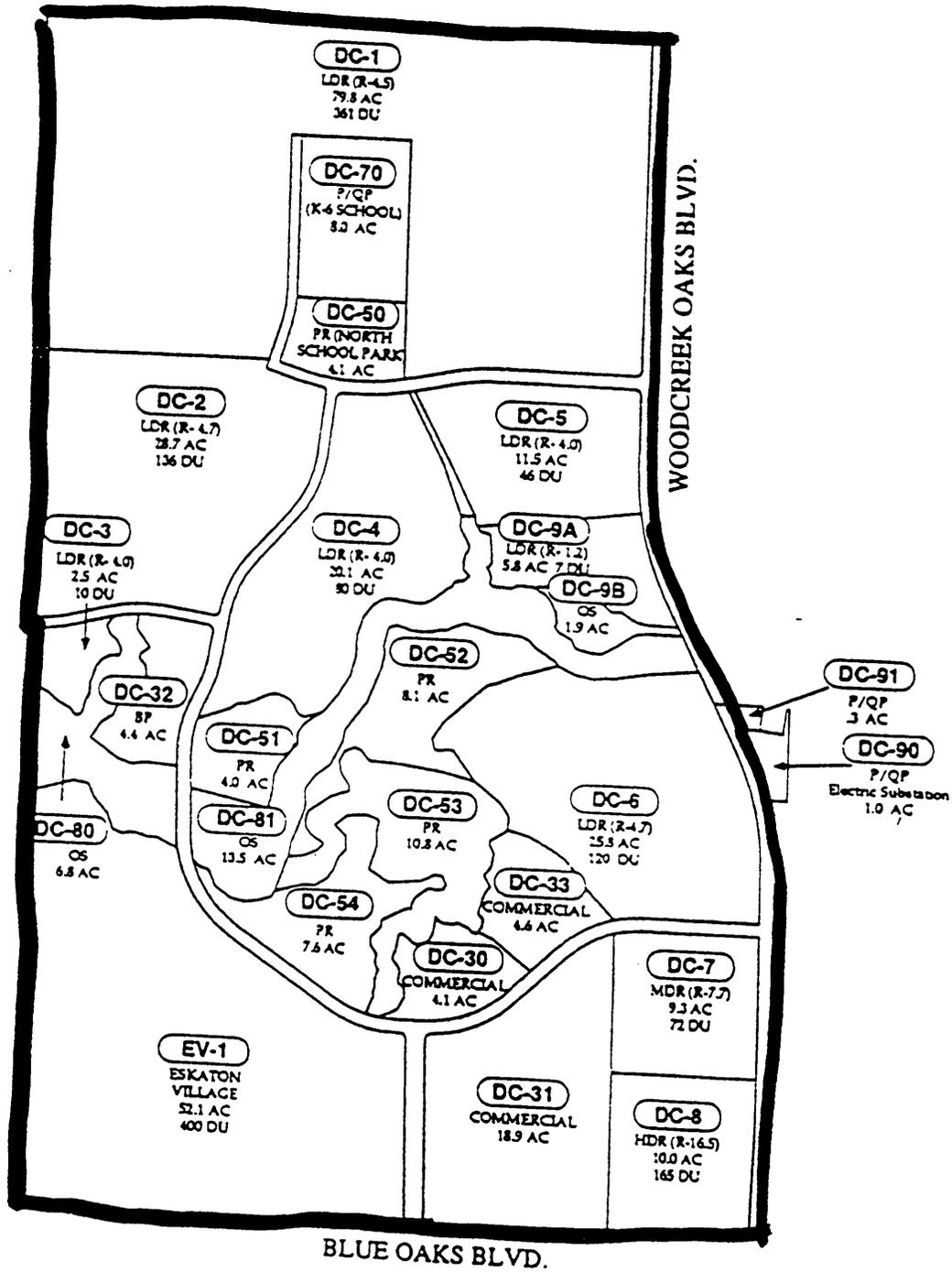
9. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as *ad valorem* property taxes; provided, however, that the City or its designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary to meet its financial obligation.

MAP 1
 NORTH ROSEVILLE CFD NO. 1
 SPECIAL TAX GROUPS A AND B



MAP 2
NORTH ROSEVILLE CFD NO. 1
SPECIAL TAX GROUP C



Attachment 1
North Roseville CFD No. 1 – Special Tax Group A
Maximum Annual Special Taxes
for Original Parcels

Parcel	Land Use	Acres	Units	Maximum Special Tax	Share of Annual Costs	Anticipated Construction Proceeds [1]
WN-1	LDR	28.67	85	\$78,480		\$713,280
WN-2	LDR	19.38	95	\$87,713		\$797,195
WN-3	LDR	29.06	108	\$99,716		\$906,285
WN-4	LDR	30.12	142	\$131,108		\$1,191,597
WN-5	LDR	23.11	136	\$125,568		\$1,141,247
Total		130.34	566	\$522,585	23.254%	\$4,749,603
Less Reductions for Low-Income Purchase Units [2]				(\$8,603)		
Total Maximum Special Tax After Reductions				\$513,981		

- [1] The anticipated construction proceeds amount is used in calculating a Prepayment prior to any Bond issuance.
- [2] Low-Income Purchase Units are levied a reduced Maximum Special Tax. The reductions in Maximum Special Taxes are not determined until the Final Map for a subdivision is submitted; therefore, the initial Maximum Special Taxes are set higher than the anticipated final Maximum Special Taxes.

Attachment 2
North Roseville CFD No. 1 – Special Tax Group B
Maximum Annual Special Taxes
for Original Parcels

Parcel	Land Use	Acres	Units	Maximum Special Tax	Share of Annual Costs	Anticipated Construction Proceeds [1]
M-1	HDR	5.34	100	\$3,378		
M-2	MDR	9.60	83	\$69,983		\$30,749
M-3	LDR	9.40	60	\$53,406		\$637,042
M-4	LDR	22.30	88	\$89,760		\$486,137
M-5	LDR	20.00	106	\$108,120		\$817,063
M-6	LDR	17.00	74	\$75,480		\$984,190
M-30	CC	10.00	0	\$5,304		\$687,076
M-31	CC	4.10	0	\$2,175		\$48,281
WN-5		97.74	511	\$407,606	18.165%	\$19,795
Less Reductions for Low-Income Purchase Units [2]				(\$6,089)		
Total Maximum Special Tax After Reductions				\$401,516		\$3,710,333

[1] The anticipated construction proceeds amount is used in calculating a Prepayment prior to any Bond issuance.

[2] Low-Income Purchase Units are levied a reduced Maximum Special Tax. The reductions in Maximum Special Taxes are not determined until the Final Map for a subdivision is submitted; therefore, the initial Maximum Special Taxes are set higher than the anticipated final Maximum Special Taxes.

Attachment 3
North Roseville CFD No. 1 – Special Tax Group C
Maximum Annual Special Taxes
for Original Parcels

Parcel	Land Use	Acres	Units	Maximum Special Tax	Share of Annual Costs	Anticipated Construction Proceeds [1]
DC-1	LDR	79.99	365	\$424,860		\$3,951,056
DC-2	LDR	28.51	137	\$159,468		\$1,482,999
DC-3	LDR	2.60	10	\$11,640		\$108,248
DC-4	LDR	20.00	80	\$80,316		\$746,912
DC-5	LDR	11.72	46	\$44,232		\$411,343
DC-6	LDR	26.29	120	\$108,000		\$1,004,364
DC-7	MDR	9.33	72	\$56,160		\$522,269
DC-8	HDR	10.00	165	\$5,319		\$49,467
DC-9A	LDR	6.04	2	\$2,120		\$19,717
DC-30	CC	4.10		\$18,488		\$171,933
DC-31	CC	19.10		\$86,128		\$800,958
DC-32	BP	4.86		\$21,915		\$203,804
DC-33	CC	4.78		\$21,554		\$200,449
EV-1	Eskaton Village	52.20	400	\$248,601		\$2,297,271
Total		279.52	1,397	\$1,288,801	58.592%	\$11,970,790

[1] The anticipated construction proceeds amount is used in calculating a Prepayment prior to any Bond issuance.

APPENDIX B
EXCERPTS FROM THE APPRAISAL

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Clark – Wolcott

April 27, 1998

City of Roseville
311 Vernon Street, #206
Roseville, California 95678

Attention: Phil E. Ezell
Finance Director/Treasurer

Subject: Appraisal Report
North Roseville Community Facilities District No. 1

98/04

Dear Mr. Ezell:

In response to your request and authorization, an appraisal has been prepared of the properties located within the above-referenced community facilities district. During the preparation of the appraisal, the properties were inspected, and an investigation was made of relevant market indicators and conditions. Based upon the analysis of the data obtained from the inspection and investigation, estimates of value have been rendered as of *April 10, 1998*.

A summary of the appraisal, our conclusions, and the estimates of value are described in the attached **Executive Summary**. The appraisal report that follows sets forth in further detail the descriptive and factual data, the Assumptions and Limiting Conditions and Special Assumptions and Limiting Conditions affecting the appraisal, and the analysis, findings, and conclusions that lead to and support the estimates of value.

Respectfully submitted,

CLARK-WOLCOTT COMPANY, INC.

Clark-Wolcott Company, Inc.
Real Estate Analysts and Consultants

11344 Coloma Road, Suite 245
Rancho Cordova, California 95670

Tel: 916-852-9470
Fax: 916-852-1229

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EXECUTIVE SUMMARY

The appraisal assignment involves the valuation of four properties located within a Mello-Roos community facilities district in the city of Roseville, California. The purpose for the formation of this community facilities district is to finance certain elements of infrastructure that are required to facilitate the development of properties located within the boundaries of the district.

The appraisal has been prepared for the use of the client, the City of Roseville, as an aid in the underwriting process relating to the proposed sale of special tax bonds related to North Roseville Community Facilities District No. 1. The findings, conclusions, and estimates of value are made and applicable as of *April 10, 1998*.

The appraisal is communicated in a self-contained appraisal report prepared in compliance with Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). The report is the result of a complete appraisal performed under Standard 1.

The city of Roseville is located in the southwesterly portion of Placer County and is part of the northeasterly area of metropolitan Sacramento. The central business district of the city of Sacramento is located approximately 16 miles southwest of Roseville.

Encompassing an area of approximately 28 square miles, the city of Roseville is generally bounded by the city of Rocklin on the north, the Placer/Sacramento county boundary line on the south, Sierra College Boulevard on the east, and Fiddymont Road on the west.

The southwestern Placer County area is generally located at the base of the Sierra Nevada foothills and within the sphere of influence of the Interstate 80 freeway corridor. This interstate highway corridor extends locally from the central section of the city of Sacramento to the foothills of the Sierra Nevada range. Over the past decade or more, significant new growth and development have occurred along this primary transportation

corridor. The cities of Roseville and Rocklin are bisected by the freeway and located in the northeasterly section of this expanding and developing area.

State Highway 65 is another of the region's primary transportation corridors, and it merges with Interstate 80 at an interchange system located in the northeastern portion of Roseville. From the interchange, the highway extends northerly through the cities of Roseville and Rocklin to the nearby city of Lincoln.

The incorporated portions of southwestern Placer County have historically served as bedroom communities of the metropolitan Sacramento area. The results of the 1990 census indicated that approximately 40 percent of the labor force left the county each day to drive to work. However, in recent years, significant new employment opportunities have been created in the cities of Roseville and Rocklin which have contributed to the rapid rate of growth the southwestern Placer County area has experienced. As a result, these cities have now become more balanced relative to jobs and housing and less economically dependent on employment opportunities and services provided in adjacent Sacramento County.

Public policies throughout most of southwestern Placer County have generally been perceived as being pro-business over the past three decades. In this regard, the city of Roseville elected to promote a planned-growth approach with respect to land use and development issues. One of the city's goals was, and remains, providing more high-paying jobs for local residents. The results of the upcoming census will likely confirm that both the city of Roseville and the region in general have been successful in this effort.

Southwestern Placer County has enjoyed a strong development trend in recent years. The diverse economic base supports a mixture of residential, commercial, and industrial uses. Although the area's real estate did not escape the economic downturn characteristic of the early to mid-1990's, Roseville, Rocklin and southwestern Placer County at large fared better than most of the Sacramento metroplex in this regard. New construction in all market sectors continued, albeit at a much less vigorous pace than

experienced in the late 1980's. In addition, interest in readily developable land on the part of owners/users has remained a positive economic force in the retail commercial, office, and hi-tech market sectors, as such buyers typically focus on more long-term, nonrealty objectives. However, prices and rental rates for real estate have generally decreased overall from the peak attained in the early 1990's.

The population of the city of Roseville (as estimated by the California State Department of Finance) was approximately 62,671 as of January 1, 1997, which reflects a 4.79 percent increase over the January 1, 1996 estimate. Population increases during the prior five years (1991-1995) range annually from 3.62 to 6.06 percent and were also substantially above statewide increases over the same timeframe (0.9 to 2.10 percent annually).

In recent years, major land use and development issues in the city of Roseville have been addressed and projects implemented largely with the use of the specific plan process. Utilizing this process, development entitlements ultimately vest within certain areas and are linked to community goals and objectives relative to job creation and growth, job training opportunities, housing supply and types, supporting retail commercial services, recreational and open space needs, infrastructure development and linkages, and other criteria. While this planning process is managed and detailed, the city's existing supply of developable residential land is nevertheless likely to become exhausted during the 2000 to 2005 timeframe, as resident population approaches the 95,000 to 99,000 level projected by 2005.

The appraisal properties are located in the northwesterly portion of the city of Roseville and lie partially contiguous to the current city limits of the community. Currently consisting of undeveloped land, the appraisal properties are generally typical of other undeveloped portions of the area. The location area has historically been utilized for livestock grazing and limited dry farming. The topography is generally level to gently rolling with a vegetative cover of native grasses and minimal tree cover. Sloping topography and native oak woodlands are typical near and within the riparian areas.

During the past 20 years, the location area has been experiencing a transition from largely undeveloped, agriculturally oriented uses toward a mixture of urban land uses, and this transition has particularly intensified during the past 10 years. The predominant urban land use within the location area is single-family residential and was propagated largely by development within the Northwest Roseville Specific Plan area beginning in 1989. Lying directly south of the appraisal properties, construction of housing within this specific plan area generally spread from Baseline Road and Foothills Boulevard on the south and east, respectively, to and beyond Woodcreek Oaks Boulevard on the west. Located to the west and southwest of the appraisal properties, development within the Del Webb Specific Plan area began in 1994. This age-restricted, housing community maintained the location area's northerly and westerly growth precedents, with development reaching Blue Oaks Boulevard and Fiddymont Road, respectively.

On the north and east, the appraisal properties are bounded by the Sunset Industrial Area (unincorporated Placer County) and the North Industrial Planning Area of the city of Roseville. These areas collectively encompass approximately 10,000 acres and are recognized as a significant existing and potential employment base within the region. The area lying within Placer County and adjacent to the appraisal properties is currently undeveloped and will likely remain so for several years as the necessary infrastructure has yet to be extended, and other more readily developable land has yet to be absorbed.

With respect to the city of Roseville, most of the infrastructure necessary for development has been installed in the North Industrial Planning Area, although a substantial amount of land currently lies undeveloped. Here, the most significant developments to date include the ±487-acre Hewlett-Packard and the ±154-acre NEC Electronics campuses. Development of these campuses initially began in 1978 and 1982, respectively, and each enjoys abundant frontage upon Foothills Boulevard.

The accessibility characteristics of the location area are good. Blue Oaks Boulevard is a primary east-west traffic arterial which connects the location area to State Highway 65 and ultimately to the Interstate 80 freeway system. The Interstate 80 freeway is located

approximately three miles southeast of the State Highway 65/Blue Oaks Boulevard junction and merges with State Highway 65 at an interchange system.

The appraisal properties are located approximately one and one-quarter miles east of State Highway 65 via Blue Oaks Boulevard, which initially extended westerly from the highway and terminated at an intersection with Foothills Boulevard. However, in conjunction with the development of the Del Webb Specific Plan area, Blue Oaks Boulevard was further extended westerly during 1997 and now terminates at Fiddyment Road and the western city limits. The extension of this traffic arterial also provided some of the “backbone” infrastructure that will be required to develop the remaining undeveloped properties located within the city and has fueled speculation regarding the future of the unincorporated area lying west of the current city limits.

The accessibility of the location will also be further improved when the infrastructure associated with the Northcentral Roseville Specific Plan area is completed. This specific plan calls for the construction of another freeway interchange system within State Highway 65 and an arterial street (Pleasant Grove Boulevard) which will extend southwesterly through the plan area and connect with the portion of Pleasant Grove Boulevard already completed in northwestern Roseville. It is currently estimated that the interchange system and related infrastructure will be completed in approximately two to three years.

The four appraisal properties are essentially contiguous and together comprise an elongated, generally rectangular expanse of undeveloped land encompassing a gross area of approximately 734.30 acres. There are currently no building or structural improvements of any significance located upon the appraisal properties.

The appraisal properties are generally composed of relatively flat, rolling topography, primarily covered by grasslands. Pleasant Grove Creek and its south branch, both intermittent creeks, traverse the location area and lie partly adjacent to or within the

properties. Stands of native oaks generally follow the creek corridors. Some seasonal wetlands, including vernal pools, occur in scattered, distinct locations.

The properties appraised constitute the first phase of the two-phase North Roseville Specific Plan, which was adopted by the Roseville City Council in July, 1997. The specific plan combines a land use and circulation plan, affordable housing program, resource management strategy, development standards, and an integral, comprehensive infrastructure plan in a single document.

The appraisal properties involve four separate ownerships that are delineated upon the following table. Each ownership is further identified by its project-area name as set forth in the Northwest Roseville Specific Plan and its parcel number(s) as identified in the 1997-98 Placer County assessor's roll:

**NORTH ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1
SUMMARY OF PROPERTY OWNERSHIP / IDENTIFICATION**

	PROPERTY OWNERSHIP	PROJECT AREA NAME	ASSESSOR'S PARCEL NUMBER(S)	GROSS AREA (ACRES)
1	DIAMOND CREEK PARTNERS, LTD., A CALIFORNIA LIMITED PARTNERSHIP.	DIAMOND CREEK (DC)	017-112-035, 036	308.80
2	ESKATON PROPERTIES, INC., A CALIFORNIA PUBLIC BENEFIT CORPORATION.	ESKATON VILLAGE (EV)	017-112-038	52.10
3	MOURIER LAND INVESTMENT CORPORATION, A CALIFORNIA CORPORATION.	MOURIER 140 (M)	017-230-009	140.50
4	SAMMIS ROSEVILLE ASSOCIATES, A CALIFORNIA GENERAL PARTNERSHIP.	WOODCREEK NORTH (WN)	017-230-038, 039, 040	232.90

The North Roseville Specific Plan includes a mix of residential neighborhood, schools, parks, and supporting commercial land uses located adjacent to a major, regional employment center. The proposed land uses are predominantly residential, recreation, and open space. The plan also includes sites for retail and professional services.

Among these are unique opportunities for specialty retail, restaurants, and office uses

overlooking the natural creeks adjacent to the proposed Diamond Creek and Pleasant Grove parks. As approved, a maximum of 2,474 dwelling units are allowed within phase one of the specific plan area, including a maximum of 400 attached housing units proposed to be developed in Eskaton Village.

As proposed, Eskaton Village, Roseville, will be a campus-like setting encompassing several levels of residential and institutional services for seniors in a manner that supports wellness, encourages independence, and enhances the continuum of care. Proposed accommodations include single- and multistory configurations consisting of clustered or attached residences, apartments, assisted-living apartments, a nursing facility, and an adult day-care center to be connected by a network of interior roads and walking paths. A community center, forming the hub of the campus, will house major common areas and administrative offices. Landscaped grounds will encourage both active (e.g. walking, croquet, gardening) and passive (observational) recreation.

The following table provides a summary of land uses related to the four appraisal properties located within phase one of the North Roseville Specific Plan area:

**NORTH ROSEVILLE SPECIFIC PLAN - PHASE ONE
SUMMARY OF LAND USES**

LAND USE	AREA (ACRES)	DWELLING UNITS
LOW-DENSITY RESIDENTIAL (LDR)	370.90	1,654
MEDIUM-DENSITY RESIDENTIAL (MDR)	18.90	155
HIGH-DENSITY RESIDENTIAL (HDR)	15.40	265
COMMUNITY COMMERCIAL (CC)	93.80	
ESKATON VILLAGE (52.10 AC)		400
BUSINESS-PROFESSIONAL OFFICE (BP)	4.40	
PARKS (PR)	79.20	
PUBLIC/QUASIPUBLIC (P/QP)	39.60	
OPEN SPACE (OS)	80.20	
MAJOR ROAD RIGHTS-OF-WAY	31.90	
TOTALS	734.30	2,474

The only major arterial street currently existing within phase one of the North Roseville Specific Plan area is Blue Oaks Boulevard. In order for the project area to be developed

as proposed, this street will be improved, and a new, major traffic arterial, Woodcreek Oaks Boulevard, will be extended in a south-to-north alignment both along and within portions of the project area.

The first phase of development in the Northwest Roseville Specific Plan area currently enjoys full land-use entitlements consistent with those set forth on the previous table and the table that follows. This condition essentially permits a development proposal related to a particular parcel to proceed through subsequent subdivision and design-review permitting processes.

**NORTH ROSEVILLE SPECIFIC PLAN – PHASE ONE
SUMMARY OF DEVELOPABLE LAND USE ZONING**

LAND USE CLASSIFICATION	ZONING DESIGNATION	PERMITTED DENSITY/USES(S)
SINGLE-FAMILY RESIDENTIAL	R1 (LOW DENSITY)	0.50-6.90 DWELLING UNITS PER ACRE.
	RS (MEDIUM DENSITY)	7.00-12.90 DWELLING UNITS PER ACRE.
MULTIFAMILY RESIDENTIAL	R3 (HIGH DENSITY)	13.00 DWELLING UNITS PER ACRE OR GREATER.
COMMUNITY COMMERCIAL	CC	ALLOWS A VARIETY OF SHOPS AND SERVICES INTENDED TO MEET THE DAILY SHOPPING NEEDS OF RESIDENTS AND PLAN AREA EMPLOYEES. DEVELOPMENT OF ESKATON VILLAGE IS ALSO PERMITTED WITHIN THE CC ZONE.
BUSINESS-PROFESSIONAL OFFICE	BP	OFFICES, A CHURCH, OR SIMILAR APPROPRIATE USE.
PUBLIC/QUASIPUBLIC	P/QP	SCHOOLS AND AN ELECTRIC SUBSTATION.

Complete development of the appraisal properties will require substantial capital improvements, including the construction of new roadways, utilities, storm drain facilities, and other public facilities. Construction of the necessary capital improvements is proposed to be funded by several sources, including the sale of community facilities

district special tax bonds, development fees collected by the City, and developer contributions. The sources of funding notwithstanding, all typical urban utility services are available to the appraisal properties, including electric power, natural gas, telephone, cable television, water, and sanitary and storm sewerage facilities.

Overall, the Sacramento metropolitan area continues to attract new employers and residents from other parts of the state and country due to comparatively superior affordability, low earthquake risks, and quality-of-life considerations. The net result has been for a stabilizing to improving effect on the local economy, evidenced by steady job growth of ± 2.5 percent over the past few years. The economy has benefited with regard to relocation and expansion within the high-technology and financial services industries and improving residential construction and sales activity over the last few years.

Mortgage rates remain at attractive levels (\pm seven percent @ 30-year terms), which are contributing to the improving housing market and the real estate market in general. The general consensus is for guarded optimism as to continued, albeit moderate, long-term growth for the local economy and the various sectors of the real estate market. In these regards, the combination of demand for well-located and desirable properties and the utility and transportation infrastructure existing and planned for the subject neighborhood creates a firm foundation for future development. These events and factors contribute to an improving market environment and good future potential for the appraisal properties.

The highest and best (most probable) use of each appraisal property is based upon its probable utilization when development is complete and upon current land use trends within the neighborhood. The opinions of highest and best use are ultimately predicated upon the legal use of the appraisal properties as set forth in the Northwest Roseville Specific Plan and the zoning ordinances of the City of Roseville.

The purpose of the appraisal is to estimate the market value of each of the four specifically identified appraisal properties. The estimates of value are rendered subject to the Assumptions and Limiting Conditions and the Special Assumptions and Limiting

Conditions of the appraisal. With respect to the latter, these include:

1. The appraisal properties are located in an area that is to be encumbered by community facilities district bond obligations for the provision of infrastructure improvements. Typically, upon the sale of such a property, the outstanding bond obligations (debt) are passed through to the buyer. The estimates of value reported herein include the value increments related to said bond indebtedness.
2. The value estimates reported herein are made under the assumption that all public improvements proposed to be constructed pursuant to the sale of special tax bonds related to North Roseville Community Facilities District No. 1 are in place and fully operational as of the effective date of value.
3. The value estimates reported herein reflect the condition that all portions of the appraisal property ownerships designated for public and quasipublic purposes in the Northwest Roseville Specific Plan (i.e.: P/QP zoned) are not within the boundaries of the subject community facilities district and, as such, are excluded from valuation.

Due primarily to the unique composition and the assumed condition of the three appraisal properties identified as Diamond Creek (DC), Mourier 140 (M), and Woodcreek North (WN), the Sales Comparison Approach and the Cost Approach are not employed in estimating their market values. Alternatively, discounted cash flow analyses are utilized in which a series of projected future cash flows are discounted to yield estimates of present value. The discounted cash flow models developed in the valuation analysis incorporate a site-specific market absorption study with the estimates of market (retail) value for each of the valuation components.

The proposed development of the Eskaton Village (EV) property incorporates a campus-like concept designed for those transitioning to, or in need of, some level of assisted living or continuing care. In this case, the assumed condition of the property and other factors

make the Sales Comparison Approach the most relevant and reliable method of estimating value.

Subject to the Assumptions and Limiting Conditions and the Special Assumptions and Limiting Conditions of the appraisal, the market values of the appraisal properties, as of *April 10, 1998*, are estimated to be:

DIAMOND CREEK (DC)

TWENTY-FIVE MILLION NINE HUNDRED THOUSAND (\$25,900,000) DOLLARS

MOURIER 140 (M)

ELEVEN MILLION NINE HUNDRED THOUSAND (\$11,900,000) DOLLARS

WOODCREEK NORTH (WN)

FIFTEEN MILLION SIX HUNDRED THOUSAND (\$15,600,000) DOLLARS

ESKATON VILLAGE (EV)

SEVEN MILLION (\$7,000,000) DOLLARS

CLARK-WOLCOTT COMPANY, INC.

By: Jeffrey L. Riddolfi Date: 4/27/98
Jeffrey L. Riddolfi, MAI
Certified General Appraiser
State of California
Certificate No. #AG003605

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INTRODUCTION

DESCRIPTION AND SCOPE OF THE APPRAISAL ASSIGNMENT

The appraisal assignment involves the valuation of four properties located within a Mello-Roos community facilities district in the city of Roseville, California. The purpose for the formation of this community facilities district is to finance certain elements of infrastructure that are required to facilitate the development of properties located within the boundaries of the district.

The location is within the northwesterly fringe of the city of Roseville and was historically devoted to agricultural uses such as grazing and dry farming. However, during the past 10 to 20 years, the location area has been experiencing a transition toward urbanization and a change in identity as well.

The appraisal properties involve the four separate ownerships that make up the first phase of the North Roseville Specific Plan area. Adopted by the City of Roseville on August 6, 1997, the specific plan includes a variety of urban land uses, including single- and multifamily residential, community commercial, business-professional office, and various public uses such as school and park sites and areas designated as open space.

The appraisal assignment required an inspection of the appraisal properties and their environs. Further investigation and analysis considered past and current real estate market conditions, neighborhood trends affecting supply and demand, and other economic factors affecting the properties' current and prospective marketability. Also considered are certain physical and economic factors which influence the overall utility and value of the appraisal properties.

The appraisal assignment requires an estimate of market value for each of the four appraisal properties. Due primarily to the unique composition and the assumed condition of three of the appraisal properties, the Sales Comparison Approach and the Cost

Approach are not employed in estimating their market values. Alternatively, a discounted cash flow analysis is utilized in which a series of projected future cash flows are discounted to yield estimates of present value. The discounted cash flow models developed in the valuation analysis incorporate a site-specific market absorption study with the estimates of market (retail) value for each of the valuation components. The proposed development of one of the appraisal properties incorporates a campus-like concept designed for those transitioning to, or in need of, some level of assisted living or continuing care. In this case, the assumed condition of the property and other factors make the Sales Comparison Approach the most relevant and reliable method of estimating value.

Due to the lack of some relevant market activity in the city of Roseville, the scope of the required market investigation was expanded to include other similar areas of the Sacramento metroplex and beyond. These and other necessary inputs were obtained in interviews and documents from the property owners and market participants, published studies, and the Clark-Wolcott library.

Other information and data considered and relied upon in the completion of the appraisal assignment were obtained from the client, its consultants, and through field investigation. This information and data include:

- Zoning ordinance and map prepared by the City of Roseville and updated August 26, 1997.
- *North Roseville Specific Plan And Design Guidelines*, prepared for and adopted by the City of Roseville on August 6, 1997.
- *Quarterly Development Activity Report - Fourth Quarter Of 1997*, published by the Planning Department of the City of Roseville in February, 1998.

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- Development Agreements approved by the Council of the City of Roseville pursuant to Ordinance Numbers 3129, 3130, 3131, and 3132 and dated August 20, 1997.
- *Market Absorption Study - North Roseville Specific Plan - Phase One*, prepared by The Whitney Research Group and dated March 17, 1998.
- *The Sunset Industrial Area Plan* as adopted by the Placer County Board of Supervisors on June 24, 1997.
- Various facilities cost and special tax estimates prepared by Economic & Planning Systems and dated March 12 and 23, 1998.

The appraisal is communicated in a self-contained appraisal report prepared in compliance with Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). The report is the result of a complete appraisal performed under Standard 1.

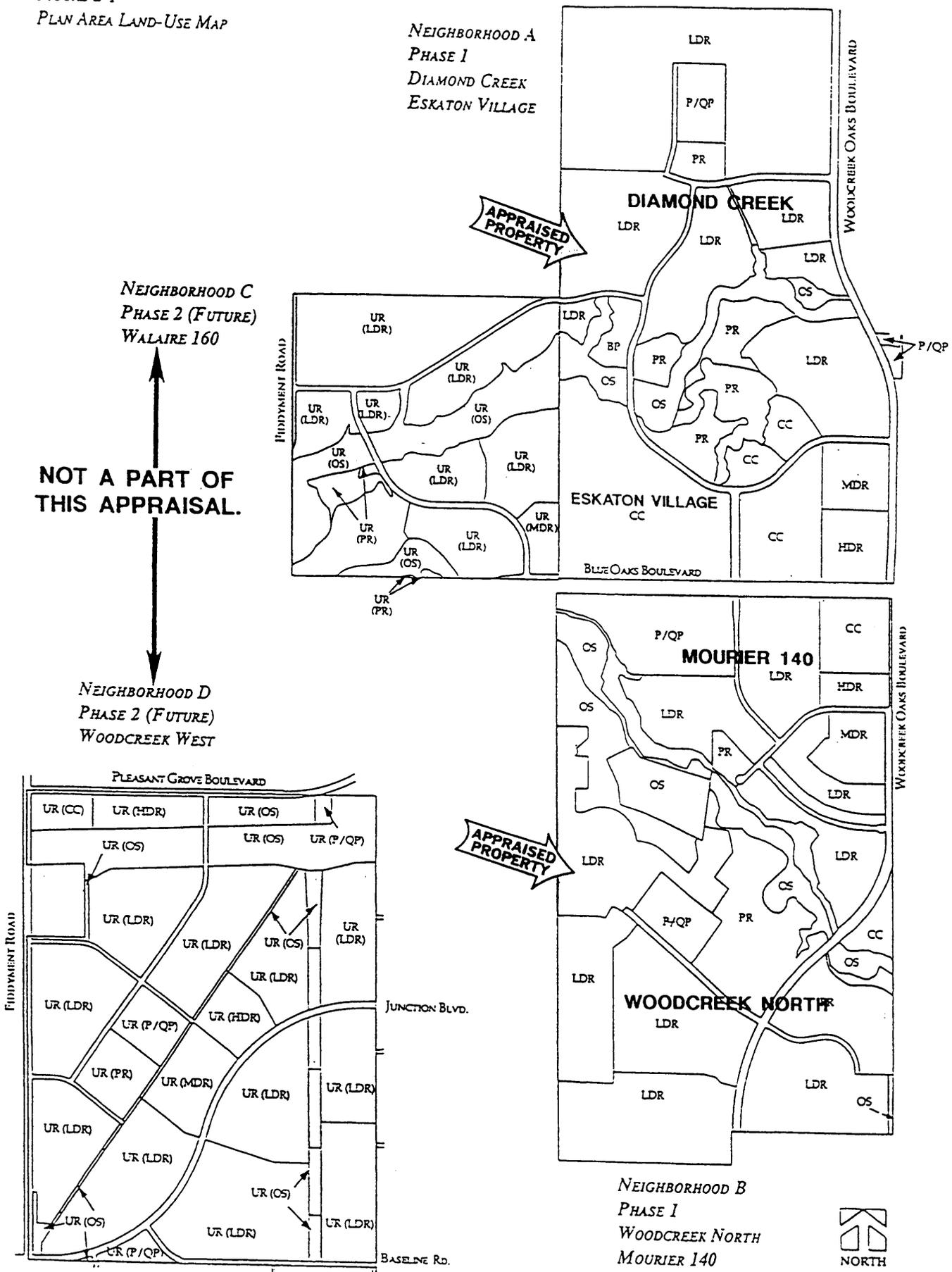
PROPERTY IDENTIFICATION, LEGAL DESCRIPTION, AND OWNERSHIP

The appraisal properties are located in the city of Roseville, Placer County, California and are within the boundaries of North Roseville Community Facilities District No. 1. The total gross area encompassed by the subject community facilities district is approximately 734.30 acres. The boundaries of the community facilities district are shown upon the facing map, and the legal description of the district is included in the Addenda of this appraisal report as Exhibit A.

The appraisal properties involve four separate ownerships that are delineated upon the following table. Each ownership is further identified by its project-area name as set forth in the North Roseville Specific Plan and its parcel number(s) as identified in the 1997-98 Placer County assessor's roll:

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FIGURE 2-1
PLAN AREA LAND-USE MAP



**NORTH ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1
SUMMARY OF PROPERTY OWNERSHIP / IDENTIFICATION**

	PROPERTY OWNERSHIP	PROJECT AREA NAME	ASSESSOR'S PARCEL NUMBER(S)	GROSS AREA (ACRES)
1	DIAMOND CREEK PARTNERS, LTD., A CALIFORNIA LIMITED PARTNERSHIP.	DIAMOND CREEK (DC)	017-112-035, 036	308.80
2	ESKATON PROPERTIES, INC., A CALIFORNIA PUBLIC BENEFIT CORPORATION.	ESKATON VILLAGE (EV)	017-112-038	52.10
3	MOURIER LAND INVESTMENT CORPORATION, A CALIFORNIA CORPORATION.	MOURIER 140 (M)	017-230-009	140.50
4	SAMMIS ROSEVILLE ASSOCIATES, A CALIFORNIA GENERAL PARTNERSHIP.	WOODCREEK NORTH (WN)	017-230-038, 039, 040	232.90

PROPERTY OWNER CONTACTS/PRIOR SALE HISTORY

Each of the property owners previously listed was contacted for the purpose of obtaining market information concerning sales, listings, and offers to purchase relating to the appraisal properties and any portions thereof. When relevant, the indications of value provided by these market data are subsequently presented and considered in estimating the values rendered in the appraisal. In addition, the appraiser accompanied a representative of Diamond Creek Partners, Ltd. on an inspection of the appraisal properties and a representative of Eskaton Properties, Incorporated on an inspection of an existing Eskaton Village project located in Carmichael, California.

According to the public record, title to each of the appraisal properties has been vested in the current ownerships for a period of at least three years prior to the effective date of value. Excepting the market data subsequently presented in this appraisal report, no other pending sales or arm's-length transfers of title are known to the appraiser, and no listing agreements (if any) involving the remaining portions of the properties were disclosed or provided.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value of each of the four specifically identified appraisal properties. The value estimates are rendered subject to the Assumptions and Limiting Conditions and the Special Assumptions and Limiting Conditions of the appraisal as subsequently set forth.

DEFINITION OF VALUE

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

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

INTENDED USE OF THE APPRAISAL

The appraisal has been prepared for the use of the client, the City of Roseville, as an aid in the underwriting process relating to the proposed sale of community facilities district

special tax bonds. Any other use of the findings, conclusions, and estimates of value reported herein shall render the appraisal invalid.

PROPERTY RIGHTS APPRAISED

The property rights appraised consists of the fee simple interest, subject to certain exceptions and the easements and rights-of-way of record. The value estimates are rendered subject to the Assumptions and Limiting Conditions and the Special Assumptions and Limiting Conditions of the appraisal as subsequently set forth.

EFFECTIVE DATE OF THE APPRAISAL

The effective date of the appraisal is the date that the appraisal report is signed by the appraiser.

EFFECTIVE DATE OF VALUE

The findings, conclusions, and estimates of value reported herein are made and applicable as of *April 10, 1998*.

ASSUMPTIONS AND LIMITING CONDITIONS

This Appraisal Report and Valuation contained herein are expressly subject to the following assumptions and/or conditions:

1. Title to the Fee Estate Interest in the property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. Clark-Wolcott Company, Inc., has not examined title and makes no representations relative to the condition thereof.
2. Clark-Wolcott Company, Inc., has made no survey of property boundaries, and boundaries as they appear on the ground or as represented by the client or client representative, are assumed to be correct.

Maps, sketches, photographs and other exhibits depicting the appraisal property are intended for illustrating purposes to supplement the narrative description of the properties and are not intended nor should they be construed to represent an exact survey or location of property boundaries.

3. All factual data furnished by the property owner, owner's representative, or persons designated by the owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, Clark-Wolcott Company, Inc., has no reason to believe that any of the data furnished contains any material error. Information and data referred to in this paragraph includes, without being limited to, lot and block numbers, Assessor's parcel numbers, land dimensions, acreage or area of the land, net farmable areas, usable areas, rent schedules, income data, historic operating expenses, budgets, and related data. Any material error in any of the above data has a substantial impact on the value reported. Thus, Clark-Wolcott Company, Inc., reserves the right to amend the value reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within ten days after the date of delivery of this report and should immediately notify Clark-Wolcott Company, Inc., of any questions or errors.
4. All information and data furnished by others in connection with the preparation of this report are accurate and correct, and Clark-Wolcott Company, Inc., has no reason to believe to the contrary unless such is specifically noted in the body of the report. Information included in this context refers to comparable rental and sales data, verification of factual data, and general market data.
5. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property. Unless otherwise noted in the body of the report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density or shape are being considered.
6. The appraisal has been prepared on the premise that there are no encumbrances or other matters not of record prohibiting utilization of the property under the appraiser's statement of highest and best use.
7. Unless otherwise noted in the body of the report, it is assumed that there are no mineral or sub-surface rights of value involved in this appraisal and that there are no air or development rights of value that may be transferred.

8. This report may not be duplicated in whole or in part without the specific written consent of Clark-Wolcott Company, Inc., nor may this report or copies hereof be transmitted to third parties without said consent, which consent Clark-Wolcott Company, Inc., reserves the right to deny. Exempt from this restriction are duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the owner of the property, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of Clark-Wolcott Company, Inc. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. Clark-Wolcott Company, Inc., shall have no accountability or responsibility to any such third party.
9. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of Clark-Wolcott Company, Inc., to buy, sell, or hold the property at the value appraised. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
10. The real estate market is in a state of constant flux, as is the value of the U.S. dollar. Clark-Wolcott Company, Inc., can offer no assurances that the reported value will remain stable or improve in terms of current dollars. The passage of time or changing economic conditions could result in a change in value, as could a change in the relative value of the U.S. dollar. If the client believes such has occurred, an updated valuation may be in order.
11. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein unless prior arrangements have been made.
12. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did Clark-Wolcott Company, Inc., become aware of such during the appraiser's inspection. Clark-Wolcott Company, Inc., has no knowledge of the existence of such materials on or in the property unless otherwise stated. Clark-Wolcott Company, Inc., however, is not qualified to test for the presence of such substances or conditions. If the presence of such substances, such as asbestos, ureaformaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.

If questions in these areas are critical to the decision process of the reader, the advice of competent engineering or environmental consultants should be obtained and relied upon. If engineering or environmental consultants retained should report negative factors, of a material nature, relative to the condition of the property, such negative information could have a substantial negative impact on the value reported in this appraisal. Accordingly, if negative findings are reported by engineering or environmental consultants, Clark-Wolcott Company, Inc., reserves the right to amend the value reported herein.

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

1. The appraisal properties are located in an area that is to be encumbered by community facilities district bond obligations for the provision of infrastructure improvements. Typically, upon the sale of such a property, the outstanding bond obligations (debt) are passed through to the buyer. The estimates of value reported herein include the value increments related to said bond indebtedness.
2. The value estimates reported herein are made under the assumption that all public improvements proposed to be constructed pursuant to the sale of special tax bonds related to North Roseville Community Facilities District No. 1 are in place and fully operational as of the effective date of value.
3. The value estimates reported herein reflect the condition that all portions of the appraisal property ownerships designated for public and quasipublic purposes in the North Roseville Specific Plan (i.e.: P/QP zoned) are not within the boundaries of the subject community facilities district and, as such, are excluded from valuation.

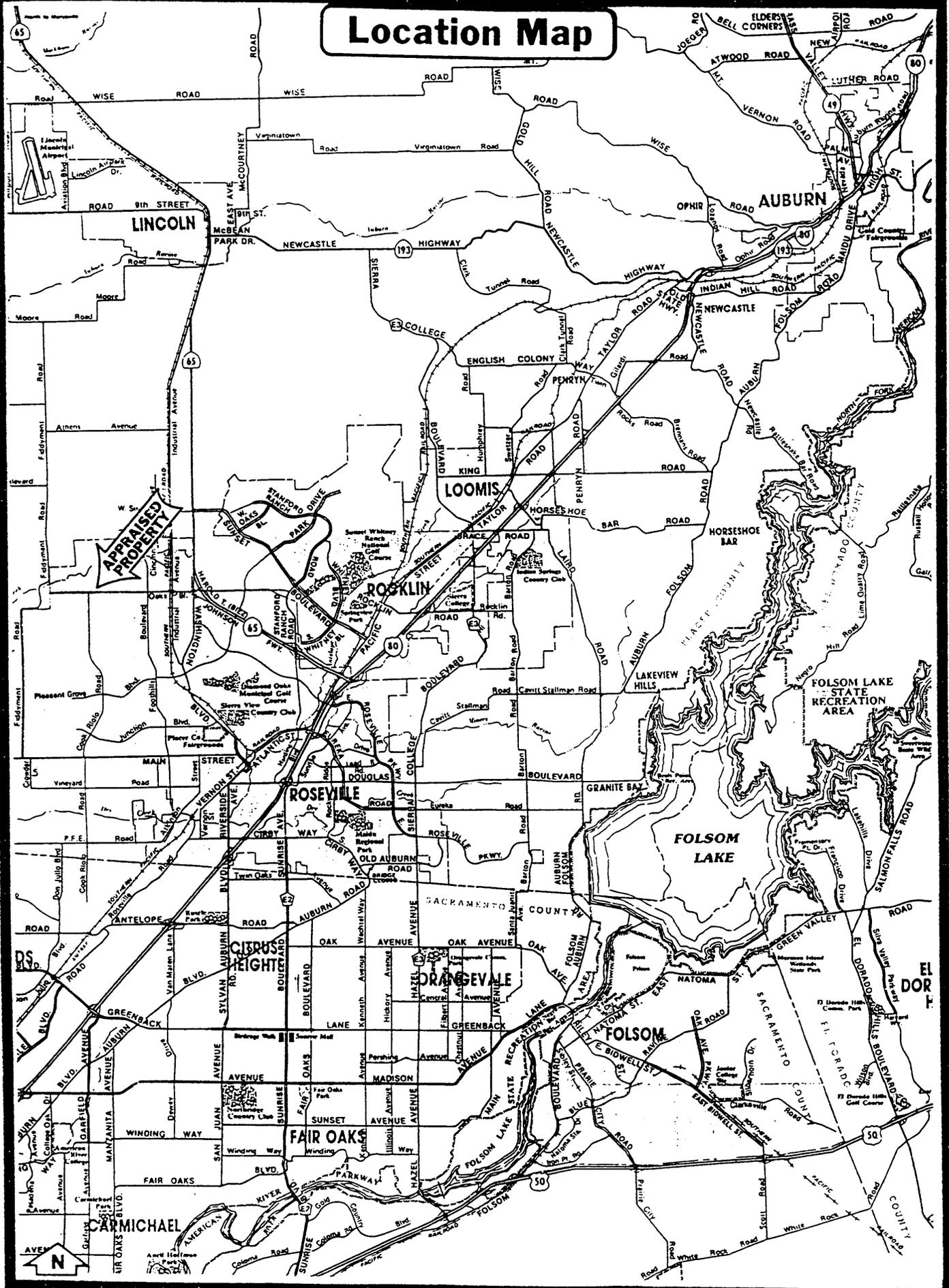
CERTIFICATION

The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. I have personally inspected the properties which are the subject of this appraisal and which are located within North Roseville Community Facilities District No. 1 in the city of Roseville, California.
2. I have no present or contemplated future interest in the real estate that is the subject of this appraisal report.
3. I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
4. The professional fee for the appraisal service rendered is dependent solely upon completion of the service evidenced by delivery of this report and is in no way contingent upon the conclusions or value estimate reported, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which the analysis, opinions and conclusions expressed herein are based, are true and correct.
6. This appraisal report sets forth all of the limiting conditions (imposed by the terms of the assignment or by the undersigned) affecting the analysis, opinions and conclusions contained in this report.
7. This appraisal assignment was not based on a required minimum valuation, a specific valuation, or the approval of a loan.
8. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute including review by its duly authorized representatives. The report has also been prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).
9. The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this report, the undersigned, Jeffrey L. Ridolfi, MAI, has completed the requirements of the continuing education program of the Appraisal Institute.
10. The absorption forecasts employed in this appraisal are based in part upon the Market Absorption Study prepared by The Whitney Research Group for the City of Roseville and dated March 17, 1998. In this regard, the significant professional assistance of C. Townley Larzelere is hereby acknowledged by the undersigned.
11. Other than the significant professional assistance previously acknowledged, no one other than the undersigned prepared the analysis, conclusions and opinions concerning real estate that are set forth in this appraisal report.

By: Jeffrey L. Ridolfi Date: 4/27/98
Jeffrey L. Ridolfi, MAI
Certified General Appraiser - #AG003605
State of California

Location Map



APPRAISED PROPERTY



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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following summary of the Fiscal Agent Agreement is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Fiscal Agent Agreement for the complete terms thereof.

Definitions

"Acquisition Agreements" means the two separate Funding, Construction and Acquisition Agreements, each dated as of June 24, 1998 and entered into by and between the City and Mourier Land Investment Corporation and Sammis Roseville Associates, as to one agreement, and Diamond Creek Partners, Ltd., as to the other, and any amendments thereto.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 *et seq.* of the California Government Code.

"Administrative Expenses" means any or all of the following the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties under the Fiscal Agent Agreement (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to the Fiscal Agent Agreement, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the issuance and administration of the Bonds and/or the discharge of their respective duties under the Fiscal Agent Agreement (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States) and, in the case of the City, in any way related to the administration of the District. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid, and any advances of funds by the City under the Fiscal Agent Agreement.

"Agreement" means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year.

"Authorized Officer" means the City Finance Director, the City Manager or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means (i) Nossaman, Guthner, Knox & Elliott, LLP, or (ii) any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Year" means each twelve-month period beginning on September 16 in any year and extending to the next succeeding September 15, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 15, 1999.

"Bonds" means the City of Roseville North Roseville Community Facilities District No. 1 Special Tax Bonds Series 1998 at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

"City" means the City of Roseville, California, and any successor thereto.

"Closing Date" means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of September 1, 1998, by and among the City and U.S. Trust Company, National Association, in its capacity as Fiscal Agent and in its capacity as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance" means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the City in connection with the issuance of the Bonds, financial advisor fees, Bond (underwriter's) discount or underwriting fee, legal fees and charges, including bond counsel, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

"DTC" means the Depository Trust Company, New York, New York, and its successors and assigns.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"District" means the City of Roseville North Roseville Community Facilities District No. 1 formed pursuant to the Resolution of Formation.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

"Finance Director" means the Finance Director of the City.

"Fiscal Agent" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers in the Fiscal Agent Agreement provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Information Services" means Financial Information, Inc 's "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10064; Moody's Investors Service "Municipal and Government," 5250 77 Center Drive, Charlotte, North Carolina 28217, Attention Municipal News Reports; Standard & Poor's Ratings Services "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines

of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing March 1, 1999.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means any ordinance of the City levying the Special Taxes.

"Original Purchaser" means the first purchaser of the Bonds from the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

"Owner" or "Bondowner" means any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

(i) Federal Securities;

(ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors' Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than \$100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in the one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) or (iv) above;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and

having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program; or

(xiv) any other lawful investment for City funds.

"Prepayment" means any amounts received by the Fiscal Agent as prepayment in whole or in part of the Special Tax, including interest and premiums related thereto.

"Principal Office" means the corporate trust office of the Fiscal Agent in San Francisco, California (except for payment, surrender and exchanges of the Bonds which shall be the office of the Fiscal Agent in St. Paul, Minnesota), or such other or additional offices as may be designated by the Fiscal Agent.

"Project" means the acquisitions and improvements described in the Resolution of Intention.

"Record Date" means the 15th day of the month next preceding the month of the applicable Interest Payment Date.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Reserve Requirement" means an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average annual Debt Service, or (c) 10% of the total proceeds of the Bonds deposited under the Fiscal Agent Agreement.

"Resolution" means Resolution No. 98-328, adopted by the City Council of the City on September 2, 1998, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 98-184, adopted by the City Council of the City on June 9, 1998, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Resolution of Intention" means Resolution No. 97-358, adopted by the City Council of the City on December 17, 1997, as amended by Resolution No. 98-182, adopted by the City Council of the City on June 9, 1998.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital

Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

"Special Taxes" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

"Treasurer" means the duly acting Treasurer of the City or if the City has no Treasurer, the Finance Director of the City.

Special Tax Revenues; Flow Of Funds

Pledge of Special Tax Revenues. All of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited into the such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated in their entirety to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds.

Special Tax Fund.

Establishment of Special Tax Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Treasurer, the North Roseville Community Facilities District No. 1 Special Tax Bonds Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenue received by the City and any amounts required by the Fiscal Agent Agreement to be deposited therein. Moneys in the Special Tax Fund shall be held in trust by the City for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. No later than the Business Day prior to each Interest Payment Date, the City shall withdraw from the Special Tax Fund and transfer monies in the following order or priority: (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit

therein is equal to the Reserve Requirement, (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date, (iii) to the City, amounts needed to pay the City Administrative Expenses; provided that such transfers shall not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for Administrative Expenses, and (iv) to the City for disbursement to the owners of land within the District or other appropriate party as determined by the City, an amount of Special Taxes not in excess of the portion of Special Taxes collected for pay-as-you-go expenditures or reimbursement thereof for authorized improvements, as described in the definition of "Annual Costs" in the Rate and Method of Apportionment of Special Taxes with respect to the District and adopted by the City Council of the City.

Bond Fund.

Establishment of Bond Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the North Roseville Community Facilities District No. 1 Special Tax Bonds Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement or the Act. There is established in the Fiscal Agent Agreement as a separate account within the Bond Fund to be held by the Fiscal Agent the Prepayment Account. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds.

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent shall provide written notice to the Treasurer and Finance Director of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Treasurer and Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Reserve Fund.

Establishment of Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the North Roseville Community Facilities District No. 1 Special Tax Bonds Reserve Fund. In lieu of funding the Reserve Fund with cash or in replacement thereof, the Reserve Fund may be funded with a Reserve Fund Credit Instrument acceptable to the Bond Insurer, which acceptance shall be evidenced by a written consent, and such credit instrument shall be held by the Fiscal Agent.

The City shall have the right at any time, including on the date of delivery of the Bonds, in lieu of a deposit of funds to the Reserve Fund, to tender to the Fiscal Agent a Reserve Fund Credit Instrument. Prior to the expiration of any Reserve Fund Credit Instrument, the City shall be obligated either (a) to replace such Reserve Fund Credit Instrument with a new Reserve Fund Credit Instrument, or (b) to deposit or cause to be deposited in the Reserve Fund an amount of moneys equal to the Reserve Requirement; *provided, however*, that if the City shall fail to replace an expiring Reserve Fund Credit Instrument or to deposit moneys equal to the Reserve Requirement, the Fiscal Agent shall draw on such Reserve Fund Credit Instrument before such expiration to provide moneys to fund the Reserve Fund in the amount of the Reserve Requirement, and shall transfer into the Reserve Fund.

Use of Fund. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Treasurer and the Finance Director.

Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of the principal of and interest on the Bonds.

Transfer for Rebate Purposes. Investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the federal government to comply with rebate requirements.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and make any transfer required under the Fiscal Agent Agreement and upon receipt of an Officer's Certificate directing it to do so, the Fiscal Agent shall transfer in accordance with the Fiscal Agent Agreement the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City, after payment of any amounts due the Fiscal Agent under the Fiscal Agent Agreement, to be used for any lawful purpose of the City.

Improvement Fund.

Establishment of Improvement Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Treasurer, the North Roseville Community Facilities District No. 1 Special Tax Bonds Improvement Fund and within such fund is created a "North Construction Account" and a "South Construction Account," to the credit of each which a deposit shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be held in trust by the Finance Director and shall be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made as determined by the Finance Director for the payment or reimbursement of the costs of the Project, including for costs of acquisition of portions of the Project in accordance with the Acquisition Agreements. Disbursements from the North Construction Account shall be made as determined by the Finance Director only for the payment or reimbursement of the costs of the Project which are to be acquired pursuant to the Acquisition Agreement by and between the City and Diamond Creek Partners, Ltd. Disbursements from the South Construction Account shall be made as determined by the Finance Director only for the payment or reimbursement of the costs of the Project which are to be acquired pursuant to the Acquisition Agreement by and between the City and Mourier Land Investment Corporation and Sammis Roseville Associates.

Investment. Moneys in the Improvement Fund and the accounts established thereunder shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from the investment of amounts in the Improvement Fund shall be retained by the Finance Director in the Improvement Fund to be used for the purposes of the Improvement Fund.

Closing of Fund. Upon the filing of an Officer's Certificate stating that the portion of the Project to be financed from the Improvement Fund and the accounts established thereunder has been completed and that all costs of such portion of the Project have been paid or are not required to be paid from the Improvement Fund, the Finance Director shall transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement and the Improvement Fund shall be closed.

Costs of Issuance Fund.

Establishment of Costs of Issuance Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the North Roseville Community Facilities District No. 1 Special Tax Bonds Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance.

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer or Finance Director and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 45 days from the date of delivery of the Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund.

Certain Covenants Of The City

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund created under the Fiscal Agent Agreement.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien in the Fiscal Agent Agreement created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. The Fiscal Agent shall provide the Treasurer and Finance Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Finance Director shall in no way affect the obligations of the Treasurer or Finance Director under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Finance Director to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Finance Director, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for the District and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the gross proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and Regulations.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Investments; Disposition Of Investment Proceeds

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments; provided. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (e) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Treasurer shall be invested by the Treasurer in any lawful investments that the City may make, which by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in

accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

Rebate of Excess Investment Earnings to the United States. The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code. On or prior to the date on which the first such calculation and rebate is due, the Fiscal Agent shall request the Finance Director to identify the person or entity that will be responsible for doing rebate calculations with respect to the Bonds (the "Rebate Calculation Agent") The Fiscal Agent shall notify the City in writing of any amounts determined by the Rebate Calculation Agent to be due to the federal government, and shall, upon written direction from the Finance Director, withdraw such amounts from the Reserve Fund pursuant to the Fiscal Agent Agreement, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments, the Fiscal Agent shall notify the Finance Director in writing of the amount of the shortfall and the Treasurer shall make such payment from any amounts available in the Special Tax Fund.

The Fiscal Agent

Removal or Resignation of Fiscal Agent. The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 including, for such purpose, the combined capital and surplus of any parent holding company, and subject to supervision or examination by federal or state authority.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made within 30 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Modification Or Amendment Of Fiscal Agent Agreement

Amendments Permitted. The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the

amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted in the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement.

If consent of the Owners is required, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified) and a notice shall have been mailed as provided in the Fiscal Agent Agreement.

Miscellaneous

Discharge of Agreement. If the City shall pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City with respect to maintenance of the tax exemption of the Bonds and to pay or cause to be paid to the Owners of the Bonds not so surrendered and pay all sums due thereon and all amounts owing to the Fiscal Agent; and thereafter Special Taxes shall not be payable to the Fiscal Agent.

Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which the Fiscal Agent Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise in the Fiscal Agent Agreement expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such 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 in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise in the Fiscal Agent Agreement expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing in the Fiscal Agent Agreement contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

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APPENDIX D

THE CITY OF ROSEVILLE

The District is located in the City of Roseville. The financial and economic data for the City is presented for information purposes only. The Bonds are not a debt or obligation of the City, but are a limited obligation of the City secured solely by the funds held pursuant to the Fiscal Agent Agreement.

General

The City is in California's Sacramento Valley, near the foothills of the Sierra Nevada. It is located about 16 miles northeast of Sacramento, the State capital, and 110 miles east of San Francisco. With a population of 66,900, Roseville is the largest city in the County of Placer in addition to being its residential and industrial center. The City was incorporated April 10, 1909. It adopted its first charter in 1934 and its present charter in 1955.

Educational facilities from kindergarten through high school are provided by four school districts. Institutions of higher learning include Sierra Community College north of the District and numerous colleges and universities in the central Sacramento area, including three junior colleges, McGeorge School of Law, California State University, Sacramento, University of California at Davis and the University of California Medical Center in Sacramento.

The City has the warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate, the average January temperature being 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and occurs mostly during the winter.

Population

The City's population in 1990 was 42,685. As of January 1998, the City's population was estimated to be 66,900, representing an increase of 56% over the 1990 census figure. The following table summarizes recent population trends for the City of Roseville, Placer County and the State of California.

POPULATION As of January 1

Year	City	County	State of California
1990	42,685	172,796	29,758,000
1991	46,700	178,400	30,296,000
1992	49,500	184,100	31,845,000
1993	52,500	189,400	31,303,000
1994	54,400	194,100	31,661,000
1995	56,500	196,600	31,910,000
1996	59,800	206,300	32,223,000
1997	62,700	212,400	32,670,000
1998	66,900	217,900	33,252,000

Source: Department of Finance, Demographic Research Unit; and U.S. Bureau of the Census

Employment

The civilian labor force in the City increased to an annual average of 28,810 in 1997, up approximately 1% from the 1996 average of 27,410. The following table summarizes the labor force, employment and unemployment figures over the past five years for the City, the County, the State of California and the nation as a whole.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT Annual Averages for Years 1993 through 1997

Year and Area	Labor Force	Employment	Unemployment	Rate
<u>1993</u>				
City of Roseville	25,110	23,030	2,080	8.3%
Placer County	95,200	87,700	7,500	7.9
California	15,404,000	13,918,000	1,441,000	9.4
United States	129,941,000	121,464,000	8,477,000	6.5
<u>1994</u>				
City of Roseville	26,280	24,460	1,820	6.9%
Placer County	99,700	93,200	6,500	6.6
California	15,404,000	14,122,000	1,320,000	8.6
United States	131,893,000	124,729,000	7,164,000	5.4
<u>1995</u>				
City of Roseville	27,040	25,270	1,770	6.5%
Placer County	102,700	96,300	6,400	6.2
California	15,428,000	14,217,000	1,211,000	7.8
United States	132,470,000	125,116,000	7,354,000	5.6
<u>1996</u>				
City of Roseville	27,410	25,840	1,570	5.7%
Placer County	104,100	98,400	5,700	5.4
California	16,606,000	14,470,000	1,126,000	7.2
United States	135,060,000	127,899,000	7,161,000	5.3
<u>1997</u>				
City of Roseville	28,810	27,510	1,300	4.5%
Placer County	108,400	103,300	5,100	4.7
California	15,971,800	14,965,500	1,006,300	6.3
United States	137,493,000	124,640,000	6,409,000	4.7

Source: U.S. Department of Labor, Bureau of Labor Statistics; State of California, Employment Development Department

Personal Income

Personal income information is not available for the City. Per capita income in the County exceeds that of the State as a whole. Between 1990 and 1995, the County's per capita income grew 15%. The following table summarizes the per capita income for the County and the State between 1990 and 1995.

PER CAPITA INCOME For Years 1990 through 1995*

Year and Area	Per Capita Income
<u>1990</u>	
Placer County	\$21,969
California	21,289
<u>1991</u>	
Placer County	22,696
California	21,425
<u>1992</u>	
Placer County	23,246
California	22,128
<u>1993</u>	
Placer County	23,669
California	22,389
<u>1994</u>	
Placer County	24,699
California	22,828
<u>1995</u>	
Placer County	25,933
California	24,090

* As of September 1998, no data yet available for 1996 and later.

Source: Department of Finance, Financial and Economic Research

Industry

The North Industrial Planning Area (City of Roseville) and the Sunset Industrial Area (unincorporated Placer County) encompass approximately 10,000 acres and collectively comprise the region's industrial district. The industrial district began being recognized approximately 30 years ago and provides a base of operations for many nationally and internationally known companies.

With respect to the portion of the industrial district located within the City of Roseville, its most significant development occurred initially in 1978 with the first phase of construction of the Hewlett-Packard campus, which today encompasses an area of approximately 487 acres and is located at the southwest corner of Blue Oaks and Foothills Boulevards. Four years later, NEC Electronics began developing a memory-chip plant nearby and now owns a ±154-acre campus. Expansion of both of these facilities has occurred over the years, and each company holds adequate land in order to accommodate future growth. In fact, Hewlett-Packard submitted a new-project application to the City in late 1997 for

a proposed ±230,000 square foot addition to its current plant that is now under construction. By the year 2020, an additional 8,000 to 9,000 new jobs are projected within the North Industrial Planning Area.

Set forth below is a list of the ten largest taxpayers in Placer County, by fiscal year 1996-97 property tax levy.

PRINCIPAL TAXPAYERS
June 30, 1997

Taxpayer	Type of Business	Assessed Valuation
NEC Electronics USA, Inc.(1)	Electronics	\$7,164,215
Roseville Prop. Inv. Part., Ltd.(1)	Real Estate	4,638,811
Pacific Gas and Electric Company	Utility	4,410,474
Hewlett Packard Co.(1)	Electronics	2,605,851
Stanford Ranch I, LLC	Real Estate	2,485,184
Kaiser Foundation Hospitals(1)	Medical Facility	2,050,448
Roseville Telephone Company(1)	Utility	1,356,108
Pacific Bell	Utility	1,255,907
Allegheny Properties, Inc.(1)	Real Estate	892,936
Squaw Creek Associates	Real Estate	815,465

(1) Located primarily or exclusively within the City of Roseville.
Source: *Placer County Treasurer-Tax Collector/City of Roseville*

Commercial Activity

Taxable retail sales data for the City is shown in the table below:

TAXABLE RETAIL SALES 1993-1997 (In thousands)

	1993	1994	1995	1996	1997(1)
Apparel Stores	\$ 25,176	\$ 24,663	\$ 24,733	\$ 26,660	\$ 7,260
General Merchandising Stores	93,148	93,940	104,342	133,497	39,061
Drug Stores	11,451	12,732	13,215	14,739	(2)
Food Stores	36,419	37,977	37,339	40,119	9,973
Packaged Liquor Stores	1,776	1,237	1,388	*	(2)
Eating and Drinking Places	44,951	51,393	57,742	70,203	21,781
Home Furnishings & Appliances	13,066	20,406	17,011	17,547	6,614
Bldg. Materials & Farm Implmts.	61,478	69,123	78,022	85,910	27,529
Auto Dealers and Auto Supplies	379,779	446,784	492,629	492,199	135,102
Service Stations	32,793	24,690	36,690	46,504	12,273
Other Retail Stores	57,237	76,283	88,630	112,568*	32,374
Retail Stores Total	751,274	869,228	951,741	1,039,946	291,967
All Other Outlets	113,635	169,233	205,168	215,787	60,417
Total All Outlets	\$870,909	\$1,038,461	\$1,156,909	\$1,255,733	\$352,384

(1) Second quarter only.

(2) Beginning in 1997, drug stores and packaged liquor stores have been merged with general merchandise stores.

* Sales omitted because their publication would result in the disclosure of confidential information.

Source: State Board of Equalization

Assessed Valuation and Tax Collections

Taxes are levied for each fiscal year on taxable real and personal property which is situated in each City as of the preceding December 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 12% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a

redemption penalty of 5% per month to the time of redemption. 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 Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31 of the fiscal year. A 12% penalty attaches to the delinquent taxes on property on the unsecured roll, and an additional penalty of 5% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (c) filing a certificate of delinquency for record in the County Record's office, in order to obtain a lien on certain property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The following table summarizes assessed valuation in the City for fiscal years 1992-93 through 1996-97.

ASSESSED VALUATIONS
Fiscal Years 1993 through 1997
(In thousands)

Fiscal Year	Secured Value	Public Utility	Unsecured Value	Total Assessed Value
1993	\$3,555,161	\$11,230	\$131,700	\$3,771,142
1994	3,740,136	12,547	122,007	3,949,595
1995	3,936,917	12,156	153,379	4,181,516
1996	4,440,430	12,536	156,872	4,695,131
1997	4,821,480	11,123	172,403	5,098,009

Sources: Placer County Auditor-Controller's Office

Delinquencies

The table set forth below shows the collection history of the City of Roseville on levies of secured property taxes from fiscal year 1992-93 through fiscal year 1996-97:

SECURED PROPERTY TAX LEVIES AND COLLECTIONS Fiscal Years 1993 through 1997 (In thousands)

Fiscal Year	Total Levies	Total Collections	Percent Delinquent
1993	\$6,054	\$5,670	6.3%
1994	5,512	5,052	8.3
1995	5,908	6,049	(2.4)(1)
1996	6,591	6,580	0.17
1997	6,956	6,166	2.63

NOTE: Levies and collections include General, Special Revenue, Debt Service and Capital Projects Funds.

(1) Reflects one-time Teeter payment from County of Placer.

Source: Placer County Auditor-Controller

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

_____, 1998

City of Roseville
311 Vernon Street
Roseville, California 95678

OPINION: \$ _____ City of Roseville North Roseville Community Facilities District
 No. 1 1998 Special Tax Bonds, Series 1998

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of its \$ _____ City of Roseville North Roseville Community Facilities District No. 1 1998 Special Tax Bonds, Series 1998 (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq., of the California Government Code) (the "Act"), a Fiscal Agent Agreement, dated as of September 1, 1998 (the "Fiscal Agent Agreement"), by and between the City on behalf of the City of Roseville North Roseville Community Facilities District No. 1 and U.S. Trust Company, National Association, as fiscal agent. We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds.

City of Roseville

_____, 1998

Page 2

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENTS

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CONTINUING DISCLOSURE AGREEMENT (Developer)

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by _____ (the "Developer") in connection with the issuance by the City of Roseville (the "Issuer") of its \$20,135,000 North Roseville Community Facilities District No. 1 Special Tax Bonds, Series 1998 (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of September 1, 1998 (the "Agreement") between the Issuer and U.S. Trust Company of California as fiscal agent (the "Fiscal Agent"). The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer to assist in the marketing of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean an entity selected and retained by the Issuer, or any successor thereto, notice of which selection is given by the Issuer to the Developer. Absent further notice, the Dissemination Agent is U.S. Trust company of California.

"Issuer" shall mean the City of Roseville, Placer County, California.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Project" shall mean the development described in the Official Statement dated September 24, 1998 with respect to the Bonds for each Developer.

SECTION 3. Provision of Annual Reports.

(a) The Developer shall, not later than April 1 after the end of the Developer's fiscal year, commencing with the report for 1998 (which for the Developer is the calendar year and thus will require this action by April 1, 1999), provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement with a copy to the Issuer. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Issuer to the effect that the Annual Report is being provided pursuant to this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Developer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT - Anticipated Development Under the North Roseville Specific Plan," " - Development Agreements," " - Anticipated Subdivision Maps and Commencement of Development in the District" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." The status of completion of the Improvements (as defined in the Agreement).

(b) A description of the status of development of each parcel owned by the Developer within the District.

(c) A description of any sales of property within the District by the Developer since the previous Annual Report, and the status of any land purchase contracts with regard to property within the District and owned by the Developer.

(d) A description of any change in the legal structure of the Developer.

(e) Material changes in project costs, status of any construction loans and any permanent financing received by the Developer with respect to the Project, with a statement to the best of Developer's knowledge as to the sufficiency of available funds to complete the Project as contemplated and source of financing of project costs.

(f) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Developer's ability to pay the Special Tax or other taxes or assessments or to comply with its obligations under the Development Agreement.

(g) Any failure by the developer to pay when due general property taxes or assessments or special taxes with respect to its property in the District.

(h) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development plan.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Developer shall give, to the Dissemination Agent, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) failure to pay any real property taxes (including any assessments or special taxes) levied within the District on a parcel owned by the Developer.

(ii) the discovery of toxic material or hazardous waste which will require remediation on any property owned by the Developer subject to the Special Tax.

(iii) default by the Developer on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.

(iv) Initiation of bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall promptly provide a notice of such occurrence to the Dissemination Agent, with a copy to the Issuer.

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax of the District on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total Special Tax for the entire District. If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) The amendment or waiver either (i) is approved by the Bondholders of the Bonds in the same manner as provided in the Agreement for amendments to the Agreement with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by the Developer.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: October 6, 1998

DIAMOND CREEK PARTNERS, LTD.

By: _____

Its: _____

#16978

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: \$20,135,000 City of Roseville, Roseville Community Facilities District No. 1,
Special Tax Bonds, Series 1998

Date of Issuance: October 6, 1998

NOTICE IS HEREBY GIVEN that the _____ (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by _____.

Dated: _____

on behalf of the Developer

By: _____

Its: _____

cc: Developer

#16978

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of October 6, 1998:

Bloomberg Municipal Repository

P.O. Box 840
Princeton, NJ 08542-0840
Internet address: MUNIS@bloomberg.doc
(609) 279-3200
FAX (609) 279-3235 (609) 279-5963
Contact: Dave Campbell

Thompson NRMSIR

Secondary Market Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
Internet address: Disclosure@muller.com
(212) 807-3814
FAX (212) 989-9282
Contact: Thomas Garske

JJ Kenny Information Services

The Repository
65 Broadway, 16th Floor
New York, NY 10006
(212) 770-4568
FAX (212) 797-7994
Contact: Joan Horai, Repository

Moody's NRMSIR

Public Finance Information Center
99 Church Street
New York, NY 10007-2796
(800) 339-6306
FAX (212) 553-1460
Contact: Claudette Stephenson
(212) 553-0345

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**CONTINUING DISCLOSURE AGREEMENT
(City)**

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of September 1, 1998, is by and among the City of Roseville, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and U.S. Trust Company, National Association, a national banking association duly organized and validly existing under the laws of the United States (the "Bank"), in its capacity as Fiscal Agent (the "Fiscal Agent") and in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of September 1, 1998 (the "Agreement"), by and between the City and the Fiscal Agent, the City has issued its City of Roseville North Roseville Community Facilities District No. 1 Special Tax Bonds Series 1998 (the "Bonds"), in the aggregate principal amount of \$20,135,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City, the Fiscal Agent and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the designees of the City to act as the disclosure representative.

"Dissemination Agent" shall mean the Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as they may be designated from time to time pursuant to the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Official Statement" means the Official Statement, dated September 24, 1998, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than January 15 after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 1999, provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such certification of the City.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the City), to the extent appropriate information is available to it, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

1. Principal amount of Bonds outstanding.
2. Balance in the improvement fund or construction account.
3. Balance in capitalized interest fund or account.
4. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.
5. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.
6. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.
7. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment.
8. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.
9. Most recently available assessed value of all parcels subject to the special tax or assessment.
10. List of landowners and assessor's parcel number of parcels subject to 20 percent or more of the Special Tax levy including the following information: development status to the extent shown in City records, land use classification, assessed value (land and improvements).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Bondholders.
4. Optional, contingent or unscheduled Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the Bonds.

(b) The Fiscal Agent shall, after obtaining actual knowledge of the occurrence of any of the Listed Events, without any determination as to materiality, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean knowledge by an officer at the Principal Office of the Fiscal Agent with regular responsibility for administration of matters related to the Agreement.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Fiscal Agent pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would constitute material information for Holders of Bonds, provided, that any event under subsection (a)(6) will always be defined to be material.

(d) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

- (i) notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the City gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) notice of Listed Events described in subsections (a)(4) and (5) shall not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Agreement.

SECTION 5. Termination of Reporting Obligation. The obligations of the City, the Dissemination Agent and the Fiscal Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(f) hereof. If the City's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the original City shall have no further responsibility hereunder.

SECTION 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Issuer, the City and the Fiscal Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Dissemination Agent and the Fiscal Agent may amend this Disclosure Agreement (and the Dissemination Agent and Fiscal Agent shall agree to any amendment so requested by the Issuer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent or the Fiscal Agent shall be made without the consent of either such party) and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the City and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Fiscal Agent shall at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds (but only to the extent indemnified to its satisfaction from any cost, liability or expense, including without limitation fees and expenses of its attorneys) take such actions, or any Holder or Beneficial Owner of the Bonds may take such actions, as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Fiscal Agent to comply with this Disclosure Agreement shall be an action to compel performance.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF ROSEVILLE, for and on behalf of
City of Roseville North Roseville Community
Facilities District No. 1

By: _____
Finance Director

U.S. TRUST COMPANY, NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

U.S. TRUST COMPANY, NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville
Name of Bond Issue: \$20,135,000 City of Roseville North Roseville Community Facilities District No. 1 Special Tax Bonds Series 1998
Date of Issuance: October 6, 1998

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville North Roseville Community Facilities District No. 1 has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement, dated as of September 1, 1998, by and between the City and U.S. Trust Company, National Association, as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

U.S. TRUST COMPANY, NATIONAL ASSOCIATION,
as Fiscal Agent, on behalf of City of Roseville North
Roseville Community Facilities District No. 1

By: _____
Authorized Officer

cc: City of Roseville

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of October 6, 1998:

Bloomberg Municipal Repository

P.O. Box 840
Princeton, NJ 08542-0840
Internet address: MUNIS@bloomberg.doc
(609) 279-3200
FAX (609) 279-3235 (609) 279-5963
Contact: Dave Campbell

Thompson NRMSIR

Secondary Market Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
Internet address: Disclosure@muller.com
(212) 807-3814
FAX (212) 989-9282
Contact: Thomas Garske

JJ Kenny Information Services

The Repository
65 Broadway, 16th Floor
New York, NY 10006
(212) 770-4568
FAX (212) 797-7994
Contact: Joan Horai, Repository

Moody's NRMSIR

Public Finance Information Center
99 Church Street
New York, NY 10007-2796
(800) 339-6306
FAX (212) 553-1460
Contact: Claudette Stephenson
(212) 553-0345

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94979

MSRB

FORM G-36(OS) - FOR OFFICIAL STATEMENT

SECTION I - MATERIALS SUBMITTED

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1. A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: 10/5/98 (b) DATE SENT TO MSRB: 10/5/98

2. AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: (b) DATE SENT TO MSRB:

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g., preliminary official statement and wrap, even if physically attached). PLEASE CHECK HERE:

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED. PLEASE CHECK HERE (include copy of original Form G-36(OS)):

SECTION II - IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately. If more space is needed to list additional issues, please include on separate sheet and check here:

A. NAME OF ISSUER: CITY OF ROSEVILLE STATE: CA
DESCRIPTION OF ISSUE: NORTH ROSEVILLE C7D #1 SPEC TAX BDS SER 1998 DATED DATE: 9/15/98

B. NAME OF ISSUER: DESCRIPTION OF ISSUE: STATE: DATED DATE:

C. NAME OF ISSUER: DESCRIPTION OF ISSUE: STATE: DATED DATE:

SECTION III - TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 9/1/23

B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 9/25/98

C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 10/6/98

D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE:

A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV - UNDERWRITING ASSESSMENT INFORMATION

This information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

A. MANAGING UNDERWRITER: Stone & Youngberg LLC SEC REG. NUMBER: 8-03149

B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING: \$ 20,135,000.00

C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from amount shown in item B above): \$

D. CHECK ALL THAT APPLY:

1. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

2. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

3. This offering is exempt from SEC Rule 15c2-12 under section (d)(1)(i) of that rule. Section (d)(1)(i) of SEC Rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

SECTION V - CUSIP INFORMATION

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

A. CUSIP-9 NUMBERS OF ISSUE(S)

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
9/1/07	777870 DDS				
9/1/23	777870 DC7				

B. IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW:
 (Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: _____

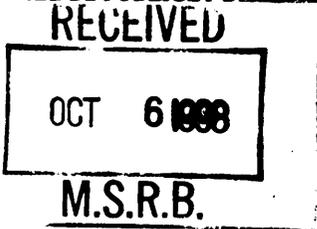
State the reason why such securities have not been assigned a "CUSIP-9": _____

C. IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT. PLEASE CHECK HERE:

State the reason why such securities are ineligible for CUSIP number assignment: _____

SECTION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.



ON BEHALF OF THE MANAGING UNDERWRITER IDENTIFIED IN SECTION IV ABOVE

SIGN: _____

NAM: _____
 (Managing Underwriter)

PHO: _____
 likely to _____
 (Submitting materials)

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 leted or _____
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IONS WILL BE _____
 amended official _____
 i-36. _____
 Street, Suite 300, _____