In the opinion of Nossaman, Guthner, Knox and Elliott, LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements discussed herein, interest and original issue discount on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. See "CONCLUDING INFORMATION—Tax Exemption" herein.

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: S&P: AAA
Moody's: Aaa
(See "CONCLUDING INFORMATION—Ratings" herein)

$32,030,000
CITY OF ROSEVILLE
NORTHWEST ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1
1998 SPECIAL TAX REFUNDING BONDS

Dated: Date of Delivery

Due: September 1, as shown below

The City of Roseville Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds (the "Bonds") are being issued pursuant to a Fiscal Agent Agreement, dated as of July 1, 1998 (the "Fiscal Agent Agreement"), by and between the City of Roseville (the "City") for and on behalf of the City of Roseville Northwest Roseville Community Facilities District No. 1 (the "District") and U.S. Bank Trust National Association, as fiscal agent (the "Fiscal Agent"), and will be secured as described herein. The Bonds are being issued to provide funds to (1) refund and defease the outstanding $30,805,000 aggregate principal amount of an original issuance of $33,720,000 of City of Roseville Northwest Roseville Community Facilities District No. 1 Special Tax Bonds (the "Prior Bonds"), and (2) to fund a Reserve Fund for the Bonds, and (3) to pay the costs of issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING" herein.

The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Bonds is payable semiannually on March 1 and September 1 of each year commencing March 1, 1999. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry Only System" herein.

The Bonds are authorized to be issued under the Mello-Roos Community Facilities Act of 1982, (the "Act") and are payable from the Special Tax Revenues (as defined herein) levied on property within the District according to the rate and method of apportionment of the Special Taxes approved by the qualified electors of the District. The Special Taxes will be collected in the same manner and at the same time as *ad valorem* property taxes are collected by the Treasurer-Tax Collector of the County of Placer, California (the "County").

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE DISTRICT IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM CERTAIN AMOUNTS DEPOSITED BY THE DISTRICT IN THE SPECIAL TAX FUND AS MORE FULLY DESCRIBED HEREIN.

MATURITY SCHEDULE
$13,540,000 Serial Bonds

Maturity Date September 1	Principal Amount	Interest Rate	Yield	Maturity Date September 1	Principal Amount	Interest Rate	Yield
1999	$ 780,000	4.000%	3.750%	2005	$1,145,000	4.250%	4.350%
2000	940,000	4.000	3.900	2006	1,195,000	4.300	4.400
2001	980,000	4.000	4.050	2007	1,245,000	4.400	4.500
2002	1,015,000	4.000	4.150	2008	1,300,000	4.500	4.550
2003	1,060,000	4.125	4.200	2009	1,360,000	4.500	4.650
2004	1,100,000	4.125	4.250	2010	1,420,000	4.625	4.750

$18,490,000 4.750% Term Bonds due September 1, 2020—Yield: 5.210%

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

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to the approval as to their validity by Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and for the City and the District by the Office of the City Attorney. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about July 29, 1998.

PaineWebber Incorporated

Dated: July 17, 1998

No dealer, broker, salesperson or other person has been authorized by the City, the District or the Underwriter to give any information or to make any representations with respect to the City, the District or the Bonds other than the information contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers 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 be construed as a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or the property ownership within the District since the date hereof. All summaries of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith. 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.

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

CITY OF ROSEVILLE, CALIFORNIA

City Council

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

City Staff

Allen E. Johnson, *City Manager*
Phil E. Ezell, *Director of Finance*
Mark Doane, Esq., *City Attorney*
Carolyn Parkinson, *City Clerk*

SPECIAL SERVICES

Bond Counsel
Nossaman, Guthner, Knox & Elliott, LLP
San Francisco, California

Fiscal Agent
U.S. Bank Trust National Association
Los Angeles, California

Financial Advisor
Public Financial Management, Inc.
San Francisco, California

Special Tax Administrator

MBIA/MuniFinancial
Temecula, California

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OFFICIAL STATEMENT

$32,030,000
CITY OF ROSEVILLE
NORTHWEST ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1
1998 SPECIAL TAX REFUNDING BONDS

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of the Bonds to potential investors is made only by means of the entire Official Statement.

The purpose of this Official Statement, including the cover, table of contents and the Appendices, is to provide certain information concerning the issuance of and sale by The City of Roseville Northwest Roseville Community Facilities District No. 1 (the "District") of $32,030,000 aggregate principal amount of its 1998 Special Tax Refunding Bonds (the "Bonds").

The Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, constituting Section 53311 *et seq.* of the California Government Code (the "Act"), a Resolution adopted by the City Council (the "City Council"), acting in its capacity as legislative body of the District, on June 30, 1998 (the "Resolution") and a Fiscal Agent Agreement, dated as of July 1, 1998 (the "Fiscal Agent Agreement") by and between the City and U.S. Bank Trust National Association, as fiscal agent (the "Fiscal Agent"). The Bonds are being issued to provide funds (1) to refund the outstanding Prior Bonds, (2) to fund a Reserve Fund for the Bonds, and (3) to pay the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING" herein.

The Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof and will be dated as of and bear interest from the date of delivery, at the rates set forth on the cover page hereof. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year (commencing March 1, 1999). Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See "The Bonds - Book-Entry Only System" herein.

The District is comprised of approximately 1,952 acres of land located in the westerly section of the City. The Taxable Land (as defined herein) within the District consists of 3,744

parcels, totaling approximately 1,258 acres. The District is located on the north side of Baseline Road and lies between Washington Boulevard on the east and Fiddyment Road on the west. For a description of the property within the District. See "PROPERTY WITHIN THE DISTRICT."

The scheduled payment of the principal of, and interest on, the Bonds when due will be guaranteed by the Municipal Bond Insurance Policy (the "Bond Insurance Policy") issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc., a New York stock insurance company.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE DISTRICT IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM CERTAIN AMOUNTS DEPOSITED BY THE DISTRICT IN THE SPECIAL TAX FUND, AS MORE FULLY DESCRIBED HEREIN.

Brief descriptions of the Bonds, the Fiscal Agent Agreement, the security for the Bonds, the District, the status of development within the District and certain 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 the forms thereof and the information with respect thereto included in the Bonds, the Fiscal Agent Agreement and other documents. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement. Copies of such documents may be obtained from the office of the City Clerk of the City.

THE BONDS

General

The Bonds will be issued in fully registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in denominations of $5,000 or any integral multiple thereof within a single maturity. The Bonds will be dated as of and bear interest from the date of delivery at the rates set forth on the cover page hereof.

The principal of and redemption premium, if any, on the Bonds will be paid in lawful money of the United States of America at the office of the Fiscal Agent upon presentation and surrender of the Bonds. The Bonds will mature as indicated on the cover hereof, and are subject to optional and mandatory sinking fund redemption as set forth herein.

Interest on the Bonds will be paid semiannually on March 1 and September 1 (the "Interest Payment Dates") of each year, commencing March 1, 1999. The Bonds shall bear interest payable on the Interest Payment Dates in each year. 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.

Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft 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 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. All Bonds paid by the Fiscal Agent pursuant to this Section shall be cancelled by the Fiscal Agent. The Fiscal Agent shall destroy the cancelled Bonds and issue a certificate of destruction thereof to the City.

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2009 are 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 District and by lot within a maturity, on any Interest Payment Date on or after September 1, 2008, 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:

Redemption Dates	Redemption Price
September 1, 2008 and March 1, 2009	101.0%
September 1, 2009 and March 1, 2010	100.5
September 1, 2010 and thereafter	100.0

Mandatory Redemption from Prepayments. The Bonds shall be subject to mandatory redemption from amounts received by the Fiscal Agent as prepayment in whole or in part of the Special Tax, including interest and premiums related thereto (the "Prepayments"), in whole or in part on any Interest Payment Date at the following respective redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
September 1, 1998 or March 1, 1999	102%
September 1, 1999 or March 1, 2000	101
September 1, 2000 and thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2020, are subject to mandatory sinking payment redemption in part on September 1, 2011, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
2011	$1,485,000
2012	1,560,000
2013	1,630,000
2014	1,710,000
2015	1,790,000
2016	1,875,000
2017	1,965,000
2018	2,060,000
2019	2,155,000
2020*	2,260,000

* Maturity

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

In lieu of mandatory redemption from sinking payments, 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.

Selection of Bonds for Redemption. If less than all of the Bonds outstanding are to be redeemed, the portion of any Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof, and, in selecting portions of such Bonds for redemption, the Fiscal Agent will treat such Bonds as representing that number of Bonds of $5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by $5,000. The Fiscal Agent will promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

Notice of Redemption. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (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.

Partial Redemption. Whenever provision is made in this 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 and fair.

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.

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 this 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.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the cancelled Bonds and issue a certificate of destruction thereof to the City.

Registration of Exchange or Transfer

So long as the Bonds remain in book-entry form, transfer and exchange of any of the Bonds will be accomplished in accordance the provisions of such book-entry system. In the event and only in the event of termination of such book-entry system with respect to the Bonds, the Bonds may be transferred and exchanged in accordance with the terms of the Fiscal Agent Agreement. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 Participants through which Beneficial Owners 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 which may be in effect from time to time.

Redemption notices will 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 sinking fund payments 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 District subject to any statutory or regulatory requirements which may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The District, the City and the Underwriter cannot and do not give any assurances that DTC, the 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 District, the City and the Underwriter are not responsible or liable for the failure of DTC or any 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.

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 District 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, replacement Bond certificates will be printed and delivered.

Debt Service Schedule

The debt service schedule for the Bonds (including mandatory sinking fund redemptions on their respective September 1 redemption dates) is set forth below:

Year Ending (September 1)	Principal	Interest	Annual Debt Service
1999	$780,000	$1,585,615.50	$2,365,615.50
2000	940,000	1,424,977.50	2,364,977.50
2001	980,000	1,387,377.50	2,367,377.50
2002	1,015,000	1,348,177.50	2,363,177.50
2003	1,060,000	1,307,577.50	2,367,577.50
2004	1,100,000	1,263,852.50	2,363,852.50
2005	1,145,000	1,218,477.50	2,363,477.50
2006	1,195,000	1,169,815.00	2,364,815.00
2007	1,245,000	1,118,430.00	2,363,430.00
2008	1,300,000	1,063,650.00	2,363,650.00
2009	1,360,000	1,005,150.00	2,365,150.00
2010	1,420,000	943,950.00	2,363,950.00
2011	1,485,000	878,275.00	2,363,275.00
2012	1,560,000	807,737.50	2,367,737.50
2013	1,630,000	733,637.50	2,363,637.50
2014	1,710,000	656,212.50	2,366,212.50
2015	1,790,000	574,987.50	2,364,987.50
2016	1,875,000	489,962.50	2,364,962.50
2017	1,965,000	400,900.00	2,365,900.00
2018	2,060,000	307,562.50	2,367,562.50
2019	2,155,000	209,712.50	2,364,712.50
2020	2,260,000	107,350.00	2,367,350.00
TOTAL:	**$32,030,000**	**$20,003,388.00**	**$52,033,388.00**

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Bonds are set forth in the following table:

Sources:	
Principal Amount of Bonds	$32,030,000.00
Prior Bond Funds[1]	4,748,922.01
Less: Original Issue Discount	(1,186,880.65)
Total Sources	$35,592,041.36
Uses:	
Refunding Fund	$32,439,140.59
Bond Reserve Fund[2]	2,367,737.50
Underwriter's Discount	268,587.20
Cost of Issuance[3]	516,576.07
Total Uses	$35,592,041.36

(1) Transfer from the Redemption and Reserve Accounts of the Special Tax Funds established under Prior Bonds Resolutions, and the prepayment of $236,128.72 of Special Taxes by Sares Regis Group, attributable to Parcel 15, which amounts will be deposited in the respective Refunding Funds.

(2) Equals Reserve Requirement attributable to the Bonds.

(3) Includes amounts to reimburse the City for certain expenses, and to pay legal fees, financial advisory fees bond insurance and other issuance costs.

PLAN OF REFUNDING

The District plans to apply the proceeds of the sale of the Bonds, together with certain other available funds, to refund $30,805,000 of the Prior Bonds.

Concurrently with the execution and delivery of the Bonds, the District and U.S. Bank Trust National Association, as escrow bank (the "Escrow Bank"), will enter into an Escrow Agreement, dated as of July 1, 1998 (the "Escrow Agreement"). A portion of the proceeds of the Bonds, together with certain other amounts held under the Prior Bonds Resolutions, will be deposited in the Refunding Fund established under the Escrow Agreement. Amounts deposited in the Refunding Fund will be used to purchase direct, noncallable obligations of the United States of America (the "Federal Securities"). The Federal Securities, together with earnings thereon, and certain cash held in the Refunding Fund, will be used to redeem the Prior Bonds on September 1, 1998, to pay a redemption premium of 2% of the principal amount redeemed, and to pay all principal and interest which will become due with respect to the Prior Bonds from the date of issuance of the Prior Bonds to and including such redemption dates.

Deloitte & Touche LLP, a firm of independent certified public accountants (the "Verification Agent"), will verify that the Federal Securities, together with the earnings thereon and the cash held in the Refunding Fund, will be sufficient to pay all of the principal, interest and

redemption premium with respect to Prior Bonds coming due on the redemption dates described above.

SECURITY FOR THE BONDS

General

Pursuant to the Act and the Fiscal Agent Agreement, the Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Special Tax Revenues and all money deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. 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 Federal Securities have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. The Bonds were authorized at a special election held in the District on July 25, 1989. The Bonds will be issued pursuant to the Act and the Fiscal Agent Agreement.

Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The facilities acquired with the proceeds of the Prior Bonds are not in any way pledged to pay the Debt Service on the Bonds.

The Fiscal Agent will establish a separate fund to be designated the Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds Bond Fund. 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.

On each Interest Payment Date, the Fiscal Agent shall withdraw (i) 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, including any amounts due on the Bonds by reason of the scheduled sinking payments or any redemption of the Bonds and (ii) from the Prepayment Account and pay to the Owners of the Bonds the principal of, and interest and any premium then due and payable on the Bonds to be redeemed from such Prepayments. In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding sentence, 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 of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

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.

The Fiscal Agent shall establish within the Bond Fund a Prepayment Account and shall hold prepayments of the Special Tax therein and apply funds in such account in accordance with the Fiscal Agent Agreement.

The Fiscal Agent shall establish within the Bond Fund a Prepayment Account and shall hold prepayments of the Special Tax therein and apply funds in such account in accordance with the Fiscal Agent Agreement.

Moneys in the Bond 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 Bond Fund to be used for the purposes of such fund.

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 debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Treasurer 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.

The Special Taxes

Pursuant to the Resolution and the Fiscal Agent Agreement, so long as any Bonds are outstanding, the City is required to annually levy the Special Tax against all Taxable Land in the District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Resolution, and which in any event will be sufficient to pay the interest on, principal of, Minimum Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable, to replenish the Reserve Fund to the Reserve Requirement, and to pay all current Expenses as they become due and payable in accordance with the provisions of the Resolution.

The Special Tax is to be levied and collected according to the rates and methods of apportionment set forth in the formula (the "Special Tax Formula") summarized in Appendix A, "METHOD AND FORMULA FOR LEVY OF SPECIAL TAX." The Special Tax Formula, which was approved by Resolution No. 89-171 adopted by the City on August 9, 1989 as part of the financing plan for the Facilities (the "Financing Plan"), will be used to allocate the Special Tax required among the Taxable Land based upon land use categories within the District.

The Special Tax Formula provides that each year the City will determine the annual tax rates sufficient to pay current scheduled Debt Service on all outstanding Bonds (including all Minimum Sinking Fund Payments) and all annual and current Expenses, to cure any delinquencies in the payment of principal or interest on the Bonds which have occurred or (based

on existing delinquencies in payment of the Special Tax) will occur during the subject Fiscal Year, to replenish the Reserve Fund to the Reserve Requirement (including charges against the Reserve Fund which may be necessary in the future because of existing delinquencies in the payment of Special Tax), and to accumulate proceeds for future Debt Service. The amount of the Special Tax to be levied each year to satisfy these purposes herein is referred to as the "Special Tax Requirement."

The Special Tax Requirement is to be allocated among single-family residential, multi-family residential, commercial and office uses in accordance with the Special Tax Formula. The Special Tax Requirement is to be applied to single-family parcels on a per-unit basis based on the total number of single-family units created and/or planned within the District, and to multi-family, commercial and office use parcels on a per-parcel basis. The District is divided into two tax areas: Special Tax Area 1 consists of parcels within the Dry Creek Joint Elementary School District (the "Dry Creek District"); Special Tax Area 2 consists of parcels which are excluded from the Dry Creek District but which are within the Roseville City School District.

The amount of the Special Tax to be levied each year will be calculated as follows:

1. The Special Tax Requirement shall be stated as a percentage (the "Special Tax Percentage") of the total maximum annual Special Tax on the District (the "Total Maximum Tax") as stated at Appendix A in Table B-2 and as may be amended by the City from time to time. The amount stated at Appendix A in Tables B-1 and B-2 as the maximum annual tax for units or parcels in each use category is referred to herein as the "Maximum Annual Tax."

2. The Special Tax levy on each single-family unit (the "Single-Family Levy") in Special Tax Area 1 shall be determined by multiplying the Special Tax Percentage by the total Maximum Annual Tax on all single-family parcels as stated at Appendix A in Table B-1 (and as may be amended in the event of change in the number of single-family units within the District), then dividing the product by the number of single-family units within the District. The Single-Family Levy for units in Special Tax Area 2 shall be equal to 79% of the Single-Family Levy for units in Special Tax Area 1. The number of single-family units within the District shall be determined by taking the sum of the number of single-family units built in the District and the number of unbuilt single-family lots which have been created by recordation of a final subdivision map, provided, however, that only 79% of the single-family units or lots in Special Tax Area 2 shall be counted. If a partial final subdivision map is recorded for any single-family parcel, the number of units in the parcel shall be deemed to equal the number of units created by such subdivision plus the number of units shown on the approved tentative subdivision map for the balance of the parcel. For single-family parcels that have not been subdivided at the time of the levy of the tax, the tax levy shall be equal to the Single-Family Levy times the number of units planned for such parcel, as shown at Appendix A in Table B-1.

3. The Maximum Annual Tax of a single-family parcel will be the amount shown at Appendix A in Table B-1 as the Maximum Annual Tax for that parcel, unless (i) a parcel (the "Transferring Parcel") is subdivided into fewer units than that indicated at Appendix A in Table B-1 for such parcel; (ii) the unrealized units (the "Excess Units") of the Transferring Parcel are transferred to another single-family parcel within the District for which a final subdivision map has not been recorded (the "Receiving Parcel"); and (iii) the transfer is approved by the City pursuant to an amendment of the Northwest Roseville Specific Plan. In such an event, the portion of the Maximum Annual Tax represented by the Excess Units will be subtracted from the Maximum Annual Tax of the Transferring Parcel and added to the Maximum Annual Tax of the Receiving Parcel. Any changes in the Maximum Annual Tax of any parcel due to such density transfers will not affect the amount of the Total Maximum Tax or Single-Family Levy.

4. If the subdivision of a single-family parcel results in a lower density than that stated for such parcel at Appendix A in Table B-1, and if such decrease in density limits the City's ability to satisfy its Special Tax Requirements, then the Single-Family Levy shall be redetermined as follows:

(a) The Single-Family Levy for units within the under-subdivided parcel shall be determined by multiplying the Special Tax Percentage by the Maximum Annual Tax for that parcel as stated at Appendix A in Table B-1 (as may be amended by a transfer of units pursuant to paragraph 3 above), then dividing the product by the actual number of units within the parcel.

(b) The Single-Family Levy for the remaining single-family units in the District shall be the balance of the Special Tax Requirement to be raised by single-family units divided by the number of remaining single-family units within the District (except for unaffected units within Parcels 22 and 42, which shall be calculated at 79% of their actual number).

5. Taxation of multi-family, commercial and office use parcels is currently calculated on a per-parcel basis. The amount of Special Tax to be levied annually on a parcel (the "Per Parcel Tax Levy") shall be determined by multiplying the Special Tax Percentage by the Maximum Annual Tax stated at Appendix A in Table B-2 for that parcel. Upon subdivision of a parcel, the Maximum Annual Tax for that parcel shall be apportioned among the newly subdivided parcels based on acreage (for commercial or business parcels) or units (for multi-family parcels); the Per Parcel Tax Levy on each subdivided parcel will be determined by multiplying the Special Tax Percentage by the apportioned Maximum Annual Tax for that subdivided parcel.

6. Once a parcel has been placed in a particular use category, the Maximum Annual Tax applicable to such parcel will not be reduced even if the parcel is subsequently converted to a lower-tax use category. A parcel which is converted to a higher use category, however, will have its Maximum Annual Tax adjusted upward accordingly.

Areas of the District which are dedicated to public use, as well as parcels designated as urban reserve, are exempt from the Special Tax. Appendix A at Table B-3 lists the parcels currently intended for public use or designated as urban reserve. In the event that any public use or urban reserve parcel becomes subject to private development pursuant to permission from the appropriate public agencies, such parcel will be taxable on a per-unit or per-acre basis at the rates indicated at Appendix A in Table B-3 for the use category to which such parcel is converted.

As development and subdivision of the parcels within the District take place, the City will maintain a file of each parcel. This record will be available for public inspection, and will show the Maximum Annual Tax on all predecessor parcels, a brief description of the process of subdividing parcels and reapportioning the Maximum Annual Tax each time a predecessor parcel was split or subdivided, including any adjustments due to change in use.

For a complete description of the Special Tax Formula to be used by the City in establishing the Special Tax and a description of the tax rates, rate descriptions and rate categories, see Appendix A, "METHOD AND FORMULA FOR LEVY OF SPECIAL TAX." The Special Tax Formula was approved by the qualified landowner electors in the District at an election held on July 25, 1989.

The Special Tax is to be levied against all Taxable Land within the District. Taxable Land does not include land which is presently intended for public use or which is currently designated as Urban Reserve. (See "THE DISTRICT AND FINANCING PLAN FOR THE FACILITIES - Financing Plan.") This is the only property within the District which is expressly exempted from the Special Tax pursuant to the Special Tax Formula. Although the Special Tax Formula provides that property which may be subsequently dedicated to the City or other public entities, in addition to the property currently dedicated pursuant to the Financing Plan and the Northwest Roseville Specific Plan, may become exempt from the Special Tax, the City has covenanted in the Resolution that it will not exempt any additional property from the Special Tax if, as a result of such exemption, the amount of the Special Tax that could be levied against the remaining Taxable Land would be insufficient to pay the maximum annual Debt Service and estimated Expenses on the Bonds. See "APPENDIX A – METHOD AND FORMULA FOR LEVY OF SPECIAL TAX."

Pursuant to Section 53340 of the Act, properties or entities of state, federal or other local governments are exempt from the Special Tax except that, under Section 53317.3 of the Act, property not otherwise exempt which is acquired by a public entity through a negotiated transaction, or by gift or demise, remains subject to the Special Tax. It is not clear under the Act whether property acquired by a public entity following a tax sale or foreclosure based upon failure of a non-exempt person or entity to pay property taxes would remain subject to the Special Tax under Section 53317.3 of the Act or would become exempt from the Special Tax under Section 53340 of the Act. Pursuant to Section 53317.5 of the Act, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special annual assessment. For this purpose, the present value of the obligation to pay the Special Tax to pay principal and interest on any Bonds outstanding prior to the date of

apportionment is to be treated the same as a fixed lien special annual assessment. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new tax under the Act or to alter the rate or method of apportionment of an existing tax under the Act.

The Act prohibits the City Council from adopting a resolution to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the City Council determines that the reduction or termination of the Special Tax "would not interfere with the timely retirement" of the Bonds.

Property owners may permanently satisfy the Special Tax obligation of a parcel by a cash settlement with the City as permitted under Government Code Section 53344, subject to the following conditions:

1. With respect to the release of a single-family parcel, any such prepayment must be made only upon (and neither before nor after) recordation of the final subdivision map. With respect to the release of a multi-family, commercial or office parcel (or a parcel subject to the Special Tax and acquired by a public agency), such prepayment may be made upon or any time after recordation of the parcel map (or other such legal land division) creating such parcel;

2. The City determines that the prepayment of the Special Tax obligation would not jeopardize its ability to make timely payments of Debt Service on outstanding Bonds, and that the administration of such prepayment would not be inefficient or burdensome for the City; and

3. The entire prepayment amount, as calculated below, is paid at once. Notwithstanding prepayment of the Special Tax with respect to any parcel (the "Released Parcel") each Released Parcel shall continue to be included within the boundaries of the District. In the event the City and the electors of the District approve an increase in the Maximum Annual Tax, the Released Parcel shall be subject to the resulting additional Special Tax.

In the event the above conditions to prepayment are satisfied, the prepayment amount shall be established by the following calculation:

1. The Maximum Annual Tax for the Released Parcel as set forth at Appendix A in Tables B-1 and B-2 hereto may be reduced by the average annual tax delinquency rate for property within the District. If no delinquency history has been established for the Special Tax, the City may reduce the Maximum Annual Tax for the Released Parcel by the most recent five-year average annual delinquency rate for secured property taxes in the City as a whole, provided that the City's ability to make timely payments of debt service in subsequent years will not thereby be jeopardized. The Maximum Annual Tax for the Released Parcel may be reduced still further if all of the Bonds have been issued and the future Debt Service through the maturity of all outstanding Bonds is known with certainty, provided that the Special Tax shall not be

reduced below the amount determined by the City as necessary to pay the Released Parcel's share of the annual Debt Service on outstanding Bonds and the annual expenses of administering the District.

2. The annual revenue produced by the Special Tax each year from the date of prepayment to and including the last maturity date of outstanding Bonds, based on the tax determined in Step 1, shall be calculated.

3. The present value of the annual revenue stream determined in Step 2 shall be calculated using a discount rate which, when the prepayment is invested in approved investments (as specified by the Resolution) earning a rate of interest equal to the discount rate, would produce the annual revenue stream determined in Step 2. The discount rate may not exceed the Bond yield as determined by the Tax Reform Act of 1986, as the same may be amended.

4. The prepayment amount shall be equal to the sum of the present value calculated in Step 3, plus any fees or expenses incurred by the City in connection with the prepayment calculation and anticipated in connection with the application or administration of the proceeds of the prepayment, plus the amount of any and all delinquent Special Taxes and penalties associated with the Released Parcel.

Although the Special Tax will constitute a lien on property subject to taxation within the District, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of nonpayment by property owners is more fully described in "SPECIAL RISK FACTORS - Collection of Special Tax."

Although the Special Taxes will be levied against, and constitute a lien against, taxable parcels within the District, they do not constitute a personal indebtedness of the respective property owners. There is no assurance that the property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so. The District experienced a Special Tax delinquency rate of 10.3% for all Special Tax installments due in fiscal year 1996-97. For fiscal year 1997-98 Special Taxes, the District has experienced a Special Tax delinquency rate of 11.97%. See "SPECIAL RISK FACTORS."

Definitions

As used in this section, the following terms shall have the following meanings:

"Bond Year" means the 12-month period terminating on September 1 of each year.

"Debt Service" means, for any Bond Year, the sum of (i) the interest payable during such Bond Year on all outstanding Bonds, assuming that all outstanding serial bonds are retired as scheduled and that all outstanding term bonds are redeemed or paid as scheduled at the times of and in amounts equal to the Minimum Sinking Fund Account Payments (except to the extent that such interest is to be paid from the proceeds of sale of any of the Bonds), (ii) the principal

amount of all outstanding serial bonds maturing by their terms in such Bond Year, and (iii) the Minimum Sinking Fund Account Payment required to be deposited in the Sinking Fund Account in such Bond Year.

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

"Fiscal Year" means the 12-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

"Taxable Land" means all land within the District taxable under the Act in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

Special Tax Fund

The Fiscal Agent Agreement requires the establishment of a separate fund to be held by the Treasurer, the Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenue received by the City. 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.

No later than the Business Day prior to each Interest Payment Date, the City shall withdraw from the Special Tax Fund and transfer (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, and (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. From time to time, the City shall transfer from the Special Tax Fund to the general funds of the City amounts needed for 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. Amounts shall be withdrawn for Administrative Expenses by the Treasurer and paid to the City on its order upon receipt by the Treasurer of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or Costs of Issuance and the nature of such Administrative Expense or Costs of Issuance.

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 Special Tax Fund to be used for the purposes thereof.

Costs of Issuance Fund

There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding 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 as provided in the Fiscal Agent Agreement for the payment or reimbursement of Costs of Issuance.

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 and delivered to the Fiscal Agent from time to time. The Fiscal Agent shall pay all Costs of Issuance upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such requisition, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance. 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. Thereafter, every invoice and requisition received by the Fiscal Agent shall be submitted to the Treasurer for payment from amounts on deposit in the Special Tax Fund.

Moneys in the Costs of Issuance Fund, respectively, shall be invested and deposited in accordance with Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the respective Fund to be used for the purposes of such fund.

Reserve Fund

This Fiscal Agent will establish a separate fund to be designated the Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds Reserve Fund. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Except as otherwise provided, 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.

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 provide written notice to the Treasurer of the amount of the excess and, following any transfer required under the Fiscal Agent Agreement and the Tax Certificate, 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.

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 the Fiscal Agent Agreement and the Tax Certificate, 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 hereunder, to be used for any lawful purpose of the City.

Moneys in the Reserve Fund shall be invested in Permitted Investments under the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Reserve Fund to be used and disbursed in accordance with the Fiscal Agent Agreement.

Covenant to Collect Special Taxes

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.

On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer 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 shall in no way affect the obligations of the Treasurer under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Director of Finance 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 the 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 Director of Finance, 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.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. Notwithstanding the foregoing, the Special Taxes may be collected in such other manner as the City shall prescribe if necessary to pay the debt service on the Bonds.

Covenant for Superior Court Foreclosure

The City hereby covenants 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 five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, it will within thirty (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 the amount so collected is deficient by less than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, but that property owned by any single property owner in the District is delinquent by more than twenty-five thousand dollars ($25,000) with respect to the Special Tax due and payable by such property owner in such Fiscal Year, then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against 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.

The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the obligee in the event the property is owned by or in receivership of FDIC. See "SPECIAL RISK FACTORS - Bankruptcy," "- Billing of Special Tax" and "- Payments by FDIC."

If the Reserve Fund is depleted, there could be a default or a delay in payments to the Owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any. However, within the limits of the Special Tax Formula, the

District may adjust the Special Taxes levied on all property within the District to provide an amount required to pay debt service, including defaulted interest and principal payments, on the Bonds and to replenish the Reserve Fund.

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period under recent legislation may be shortened to 20 days for parcels other than those on which a dwelling unit for not more than four persons is located. If a judgment debtor fails to redeem and the property is sold, his 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 (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price (equal to the sum of delinquent Special Tax installments, penalties, interest, attorney's fees and costs of collection and sale) unless a lesser minimum bid price is authorized by the Owners of 75% of the principal amount of the Bonds Outstanding.

The City has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the District which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property within the District. Furthermore, nothing prevents the owners of property within the District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within the District on a parity with the lien of the Special Taxes.

Accordingly, the debt on the property within the District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the estimated value to lien ratio that exists at the time the Bonds are issued. The imposition of such additional indebtedness could reduce the willingness and ability of the property owners within the District to pay the Special Taxes when due. See "SPECIAL RISK FACTORS - Cumulative Burden of Parity Taxes and Special Assessments"

Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes.

THE BOND INSURANCE POLICY

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Bond Insurance Policy for the Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Bond Insurance Policy included as an exhibit to this Official Statement.

THE BOND INSURANCE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is a New York Stock Exchange listed company whose major shareholders include Fund American Enterprises Holdings, Inc., The Tokio Marine and Fire Insurance Co., Ltd. and U S WEST Capital Corporation. The shareholders of Holdings are not liable for the obligations of Financial Security.

At June 30, 1998, Financial Security's total policyholders' surplus and contingency reserves were approximately $831,493,000 and its total unearned premium reserve was approximately $537,866,000 in accordance with statutory accounting principles. At June 30, 1998, Financial Security's total shareholders' equity was approximately $949,625,000 and its total net unearned premium reserve was approximately $457,615,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds.

Copies of such materials incorporated by reference will be provided upon request to Financial Security: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Bond Insurance Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable rating or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the District the information presented under this caption for inclusion in the Official Statement.

THE DISTRICT AND FINANCING PLAN FOR THE FACILITIES

General Description and Location of the District

The City of Roseville Northwest Roseville Community Facilities District No. 1 (the "District") is a community facilities district organized by the City Council under the Act for the purpose of providing for the acquisition and construction of certain public facilities to serve property within the District. The City Council established the District on July 5, 1989.

The District is comprised of approximately 1,952 acres of land located in the westerly section of the City. The Taxable Land within the District consists of 3,744 parcels, totaling approximately 1,258 acres. The District is located on the north side of Baseline Road and lies between Washington Boulevard on the east and Fiddyment Road on the west. For a description of the property within the District, see "PROPERTY WITHIN THE DISTRICT."

Legislative Body

Pursuant to the Act, the five members of the City Council of the City serve as the legislative body of the District by virtue of their election to the City Council.

Northwest Roseville Specific Plan

On May 10, 1989, the City Council approved the Northwest Roseville Specific Plan (the "Northwest Roseville Specific Plan") which provided for the planned development of an area of approximately 2,660 acres in the northwest portion of the City (the "Plan Area"). All of the property within the boundaries of the District is included within the Plan Area, but the District, consisting of approximately 1,952 acres, only constitutes part of the Plan Area. The Northwest Roseville Specific Plan entails primarily residential and some supporting commercial development for the portion of the Plan Area targeted for development.

The Northwest Roseville Specific Plan provides for urbanization of a large part but not all of the Plan Area. Of the approximately 2,660 acres within the Plan Area, approximately 2,305.5 (87%) are designated for development. Except for parcels within the District, development of parcels within the Plan Area have been largely completed. Approximately 1,592.1 acres (69%) within the Plan Area are designated for residential use (primarily single-family, but including some multi-family), and approximately 210.5 acres (8%) are designated for business and/or commercial.

Approximately 354.5 acres in the southwest portion of the Plan Area, 223 acres of which are within the District, are designated by the Northwest Roseville Specific Plan as Urban Reserve. Intended to be an integral part of the Northwest Roseville Specific Plan the urban reserve land use category provides flexibility for reallocation of dwelling units from other parcels within the Plan Area as well as reallocation of other land uses. Urban reserve may also be used in connection with a "density bonus" or other programs designed to achieve affordable housing for low-income households. The urban reserve land use category does not guarantee land use

entitlement; any proposed density transfers or new land use would be subject to City approval through an amendment to the Northwest Roseville Specific Plan.

Financing Plan

Pursuant to Resolution No. 89-121 adopted by the City Council on July 5, 1989, the City Council approved the Northwest Roseville Financing Plan (the "Financing Plan"). The Financing Plan provides for the financing of roadway improvements and related storm drainage facilities, consisting of pavements, curbs and gutters, sidewalks, traffic islands, water lines and pressure reducing stations, sewer mains, gas lines, telephone cables, traffic signals, landscaping, fire hydrants, street lights and electrical distribution lines, together with all necessary appurtenances thereto, off-site sanitation sewer facilities, a municipal golf course, and one-half of the cost of a new elementary school facility, including portable classroom buildings, together with related site acquisition, and all necessary appurtenances thereto and equipment therefore. In adopting the Financing Plan, the City Council determined that the Financing Plan provides an adequate basis for establishing mechanisms-to insure that the public infrastructure necessary to serve the Plan Area are satisfactorily financed by the Plan Area.

A substantial portion of the planned private construction within the District has been completed.

The Facilities have been completed, the entire cost of which, with the exception of one-half of the cost of the elementary school, were financed from the proceeds of the Prior Bonds.

Taxable Land does not include areas designated in the Northwest Roseville Specific Plan as open space, parks, school sites, parcels or portions of parcels the developability of which is restricted by power line easements, and rights-of-way for future public streets. The Special Tax Formula provides that property which is subsequently dedicated to the City, in addition to the property to be dedicated pursuant to the Financing Plan and the Northwest Roseville Specific Plan, may become exempt from the Special Tax.

After excluding the parcels that are not to be taxed, 3,744 parcels – consisting of approximately 1,258 acres – are subject to the Special Tax. The Financing Plan sets forth a formula whereby the Special Tax is to be allocated among the 3,744 parcels subject to the Special Tax based upon various land use categories. See Appendix A - "METHOD AND FORMULA FOR LEVY OF SPECIAL TAX." The land use categories were set based upon the Northwest Roseville Specific Plan. Should a parcel's land use change to a lower taxed use, no adjustment in the maximum tax for that parcel will be made, but if a parcel's land use changes to a higher taxed use, the maximum tax for that parcel shall be increased to reflect the higher taxed use.

The allocation of the Special Tax among the taxable acres in the District is to be determined in accordance with the formula set forth in Appendix A, "METHOD AND FORMULA FOR LEVY OF SPECIAL TAX." For a description of the Special Tax Formula, see "SECURITY FOR THE BONDS – The Special Taxes."

Additional Information

This section summarizes certain information contained in the Northwest Roseville Specific Plan, the Financing Plan and certain other documents, copies of which documents are on file with the City and available for public inspection at the office of the Finance Director of the City, 311 Vernon Street, Roseville, California 95678, telephone number (916) 781-0320. The information contained herein concerning such documents is only a summary of certain information contained in the complete documents on file with the City, and such information is qualified in its entirety, by the complete documents on file with the City, which are incorporated herein by this reference.

PROPERTY WITHIN THE DISTRICT

Introduction

The property within the District is located in the westerly section of thc City of Roseville in Placer County, part of the northeasterly section of metropolitan Sacramento. The City of Sacramento is approximately 16 miles southwest of Roseville. Roseville is situated at the base of the Sierra Nevada foothills, along Interstate Highway 80. The estimated population of the City as of January 1, 1998 is approximately 66,901.

The nearest freeways are State Highway 65 and Interstate Highway 80. Access to State Highway 65 is available via Foothills Boulevard and Blue Oaks Road. Access to Interstate Highway 80 may be accomplished via Foothills Boulevard and Cirby Way or from Blue Oaks Road to State Highway 65 and then to Interstate 80. Interstate Highway 80 extends from the San Francisco Bay area to the east coast of the United States, and is a primary traffic corridor in the Sacramento metropolitan area Zoning and Land Use.

The District lies entirely within the Plan Area of the Northwest Roseville Specific Plan. The Northwest Roseville Specific Plan divides the property within the Plan Area into various land use categories. In accordance with the Northwest Roseville Specific Plan, approximately 752 acres of land in the District are designated as open space, parks, land owned or to be dedicated in fee to public entities, parcels or portions of parcels restricted by power-line easements, and rights-of-way for future public streets. These 752 acres are not considered developable and are excluded from the Special Tax under the Financing Plan. The remaining approximately 1,258 acres of land are developable and are subject to the Special Tax.

Ad Valorem Property Taxation

Taxes are levied by the County for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 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 each Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. 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 Treasurer.

Development as of the 1997-98 Tax Roll

Table 1 below summarizes the debt allocable to each of six major categories of development in the District based on the classification of property as of the January 1, 1997 lien date for fiscal year 1997-98. Table 1 also sets forth the estimated value-to-lien ratio for each category of property and for the District as a whole, based upon the values for such property. The estimated value-to-lien ratios range from a low of 1.05 to 1 for undeveloped multifamily housing properties, to a high of 33.62 to 1 for developed residential property. See "SECURITY FOR THE BONDS – The Special Taxes" above.

Table 1
Northwest Roseville Community Facilities District No. 1
Categories of Development
Assessed Value-To-Lien Ratio

		Parcel Count	Maximum Special Tax Levy	Combined Assessed Value	Lien	Value to Lien	Percent of Lien
Single-Family Residential							
	Developed	3,044	$1,743,162	$500,604,060	$14,890,851	33.62	46.49%
	Undeveloped	676	946,337	36,898,297	8,104,756	4.55	25.30
Multi-Family Residential							
	Developed	1	111,436	19,068,879	952,798	20.01	2.97
	Undeveloped	2	63,315	570,472	541,356	1.05	1.69
Commercial							
	Developed	10	138,399	23,781,708	1,183,343	20.10	3.69
	Undeveloped	11	743,481	10,239,687	6,356,897	1.61	19.85
Totals		**3,744**	**$3,746,132**	**$591,163,103**	**$32,030,000**	**18.46**	**100.00%**
Total Developed		3,055	$1,992,998	$543,454,647	$17,026,992	31.92	53.16%
Total Undeveloped		689	1,753,134	47,708,456	15,003,008	3.18	46.84

Source: Placer County Auditor/Controller's Office and City of Roseville.

Table 2 below sets forth the top ten taxpayers in the District, as measured by the amount of Special Taxes projected to be levied on property owned by such taxpayers in fiscal year 1997-98. The amount of Special Taxes paid with respect to property owned by top ten taxpayers as a percentage of total annual Special Tax levies shown below has declined since the 1997-98 tax roll, see Tables 5 through 8.

Table 2
Northwest Roseville Community Facilities District No. 1
Top Ten Special Taxpayers In The District
Fiscal Year 1997-98

Name	Tax Category	Number of Parcels	Combined Total Value	Lien	Value to Lien	Percent of Total	Maximum Levy
Elliott Homes Inc.	SFR/Comm	9	$8,555,794	$3,729,817	2.29	12.08%	$429,227
Calton Homes of California Inc.	Commercial	2	2,840,000	2,038,465	1.39	6.60	238,412
U.S. Homes Corp.	Single-Fam Res	119	7,652,820	1,118,119	6.84	3.62	128,844
California Investors Xi	Multi-Fam Res	1	19,068,879	952,798	20.01	3.09	111,436
Bollinger Michael J. Trustee et al	Commercial	1	1,700,000	645,675	2.63	2.09	75,516
Romeo Thomas A	Commercial	1	343,075	636,561	0.54	2.06	74,450
Rsa Development Inc.	Commercial	1	1,000,000	617,605	1.62	2.00	72,233
Sammis Roseville Associates	Commercial	1	230,473	606,379	0.38	1.96	70,920
John Mourier Construction Inc.	Single-Fam Res	120	1,945,900	601,678	3.23	1.95	69,911
J&L Properties	Single-Fam Res	118	5,662,420	591,650	9.57	1.92	64,515
Totals		**373**	**$48,999,361**	**$11,538,747**	**4.25**	**37.37%**	**$1,335,464**

Source: City of Roseville

The following information is provided by the City to more fully describe the current development status of 35 parcels listed above, and any ownership changes related thereto. This information is primarily from the City's Quarterly Development Activity Report. First Quarter of 1998. The following information is believed to be accurate.

(1) Elliott Homes, Inc. Elliott Homes, Inc. ("Elliott Homes"), an Arizona corporation with its principal office in Sacramento, owns approximately 308 acres (approximately 24.5%) of Taxable Land within the District. Elliott Homes is active in residential, commercial and multi-family development in California and Arizona. The company is a third-generation Sacramento-based organization that has built over 25,000 single family homes since 1935. Elliott Homes is actively constructing homes in single family projects known as Silverado Oaks and Silverado Greens. From plans filed with the city, Elliott has 83 units under construction, owns 161 vacant lots and property with approved plans for 369 homes. Elliott also owns a commercially zoned parcel totaling 11.7 acres. There are no development plans filed with the City for this parcel (APN -071-380-005).

(2) Calton Homes of California, Inc. Calton Homes of California, Inc. ("Calton"), a California corporation, is a wholly-owned subsidiary of Calton Homes, Inc., a New Jersey corporation. Calton Homes, Inc. is in turn wholly owned by Calton Inc., a New Jersey corporation traded on the New York Stock Exchange. Calton was formed in February 1989 to succeed to the interests of Delta Housing Group, a California limited partnership controlled by Calton Homes, Inc.

Calton has been delinquent in the payment of its Special Tax since fiscal year 1992-93 with respect to two parcels of property. These two parcels total approximately 45.7 acres. One is zoned as a business park and the other as commercial recreational. There are no development

plans filed with the City with respect to these parcels. Special taxes have not been paid since the formation of the Districts and the City is in foreclosure on these two parcels. See "Delinquent Special Taxes" below. These delinquent Special Taxes currently equal to approximately $1.138 million are the subject of foreclosure proceedings brought by the City with respect to these parcels. See Table 4 entitled "Special Tax Delinquencies for Fiscal Years 1992-93 through 1997-98" below.

(3) U.S. Homes Corp. U.S. Homes is a New York stock exchange listed home builder. They are actively constructing single family projects known as Inverness, St. Andrews, Heritage Oaks, and Woodcreek Oaks 9, all in the vicinity of the Woodcreek Oaks Golf Club. From plans filed with the City, U.S. Homes has 32 units under construction and owns 78 vacant lots.

(4) California Investors Xi. California Investors XI owns the 326 unit Heritage Park Apartments located on 17.4 acres. This apartment complex opened in 1990.

(5) Michael J. Bollinger, Trustee. Michael J. Bollinger owns one 10.7 acre commercially zoned parcel with no development plan filed with the City.

(6) Thomas A. Romeo. Thomas A. Romeo owns one 10.7 acre commercially zoned parcel with no development plan filed with the City.

(7) RSA Development, Inc. RSA Development, Inc. owns one 10.3 acre commercial zoned parcel with no development plan filed with the City.

(8) Sammis Roseville Associates. Sammis Roseville Associates ("Sammis") is a California general partnership between New England Mutual Life Insurance Company, a Massachusetts corporation, and Sammis Foothill Associates, a California general partnership. The Sammis Company is a California corporation which has been engaged in the construction, marketing and management of commercial property for approximately 15 years. In addition to its substantial experience in commercial developments, The Sammis Company has also developed various residential properties including Rollingwood, a 348-acre masterplanned community in Fair Oaks (within metropolitan Sacramento) which received the "Most Innovative Land Plan" award from the Pacific Coast Builders Conference. The Sammis Company or its affiliates own, owned in the past or have developed nearly 12 million square feet of office, retail and industrial properties.

The owner's name has changed to Sares Regis Group. This 10.8 acre Parcel 15 is zoned commercial and has a service station approved for a portion of the parcel. There are no other development plans filed with the City.

The Sammis Company is headquartered in Irvine, California, and has regional offices in Westlake Village, San Jose and Sacramento, California; and Parsippany, New Jersey. It has subregional offices located in Seattle, Washington; Tempe, Arizona; and Vero Beach, Florida. Each regional office is managed by a regional planner who is responsible for the local operations.

(9) John Mourier Construction, Inc. John Mourier Construction, Inc. ("JMC"), incorporated in California in 1976, has been building properties in the greater Sacramento area since 1974. JMC's main office is located in the City and consists of the following divisions: New Home, Land, Contract Home, Custom Home and Commercial. JMC's last fiscal year had gross sales of approximately $40 million. JMC owns approximately 84 acres (approximately 6.7%) of Taxable Land within the District. John Mourier Construction is a local homebuilder, actively constructing single family projects known as Woodcreek Meadow and Woodcreek Oaks 11. From plans filed with the City, John Mourier Construction has 26 units under construction and owns 18 vacant lots.

(10) J&L Properties. J&L Properties is actively constructing single family projects known as California Legends, Pleasant Grove 3, and The Retreat. From plans filed with the City, J&L Properties has 21 units under construction and owns 74 vacant lots.

Table 3 below summarizes value-to-lien ratios for the District as a whole, based upon the values for such property as of the January 1, 1997 lien date for fiscal year 1997-98.

Table 3
Northwest Roseville Community Facilities District No. 1
Fiscal Year 1997-98 Value-to-Lien Analysis

Value to Lien	Parcel Count	Total Assessed Value	Lien	Percent of Total
20 and Above	3,013	$529,812,337.00	$16,180,420.33	50.52%
10 – 19.99	59	15,911,250.00	1,022,907.27	3.19
5 – 9.99	483	18,602,884.00	2,410,171.92	7.52
3 – 4.99	51	13,732,358.00	3,492,300.83	10.90
Less than 3	138	13.104,274.00	8.924.199.65	27.86
	3,744	**$591,163,103.00**	**$32,030,000.00**	**100.00%**

Source: City of Roseville.

Delinquent Special Taxes

The actual amount of the Special Tax that may be levied and collected during any future year will depend upon the land use categories then in effect in the District, the tax rates imposed and the level of delinquent Special Tax installments. See "SPECIAL RISK FACTORS." This delinquency history may not be indicative of delinquency rates that may be experienced within the District in the future once the ownership of property within the District is dispersed. Table 4 below sets forth the Special Tax delinquencies for the last six fiscal years, as of June 30 of each fiscal year, commencing with fiscal year 1992-93.

Table 4
Northwest Roseville Community Facilities District No. 1
Special Tax Delinquencies
for Fiscal Years 1992-93 through 1997-98

Fiscal Year	Districtwide Delinquency Rate	Delinquency Rate Less Calton Homes
1992-93	10.30%	3.78%
1993-94	7.13	0.61
1994-95	6.85	0.33
1995-96	9.10	2.58
1996-97	10.31	4.34
1997-98*	11.97	5.66

* As of June 19, 1998
Source: City of Roseville

As of May 27, 1998, total outstanding delinquencies are approximately $1.37 million, of which approximately $1.138 million were attributable to Calton Homes of California, Inc. and approximately $232,000 were attributable to other owners. The $1.138 million attributable to Calton Homes of California, Inc. relate to two parcels of property, which have been delinquent since fiscal year 1992-93 (the "Delinquent Parcels"). The portion of Bonds attributable to the Delinquent Parcels is approximately $1,948,346. The approximate annual levy is $194,000 and the cumulative outstanding special tax delinquency is approximately $1,138,000. The combined approximate share of the Bonds and outstanding special tax delinquency (without penalties and interest) total approximately $3.1 million, which exceeds the current assessed value of $2.8 million. The current market value is unknown.

In accordance with the Resolution securing the Prior Bonds, the City conducted judicial foreclosure proceedings against the Delinquent Parcels on behalf of the District. Judgement has been entered in favor of the City. The City expects to accept bids for the Delinquent Parcels at a foreclosure sale scheduled later this month. No assurances can be given that bids will in fact be presented, or presented in form or amount acceptable under the Act or satisfactory to the City.

The amount of the judgment as to each Delinquent Parcel represented the delinquent Special Taxes, penalties, and interest which had accrued on such delinquent Special Taxes, as of the date of the judgment and the costs incurred by the City in prosecuting the foreclosure proceedings on behalf of the District. The amount of the judgment establishes the minimum bid which may be made at the foreclosure sale of such property. Additional delinquent Special Taxes, penalties and interest have accrued on each of the Delinquent Parcels since the date of entry of judgment in the foreclosure proceedings.

The Act provides that such delinquent property may not be sold at a judicial foreclosure sale for less than the amount of the judgment plus post judgment interest and authorized costs without the consent of the owners of 75% by value of the outstanding Bonds. Bondholders have not been requested to consent to any lesser sale amount.

Development Since the 1997-98 Tax Roll

Table 5 below sets forth the potential revenue that could be generated through a levy of the projected Maximum Special Tax for fiscal year 1998-99 on single-family property in the District based on certificates of occupancy filed since the 1997-98 tax roll.

Table 5
Northwest Roseville Community Facilities District No. 1
Residential Development Completed Since the 1997-98 Tax Roll
Based on Certificates of Occupancy per Quarter

Builder	1st Quarter 1997	2nd Quarter 1997	3rd Quarter 1997	4th Quarter 1997	1st Quarter 1998	Total Units	Maximum Special Tax Levy*
Elliott Homes, Inc.	16	19	25	40	46	146	$83,950
U.S. Homes Corp.	10	21	19	25	18	93	53,475
John Mourier Construction Inc.	19	17	17	6	7	66	37,950
J&L Properties	17	25	21	28	23	114	65,550
Larchmont County	23	1	0	0	0	24	10,920
Winncrest	3	4	27	17	15	66	37,950
Richmond American Homes	10	8	6	0	0	24	13,800
Total	**98**	**95**	**115**	**116**	**109**	**533**	**$303,595**

* Assumes $575.00 per unit, except for Larchmont County, which assumes $455.00 per unit.
Source: City of Roseville.

As a result of construction completed through April 1, 1998, on the basis of certificates of occupancy issued, the District projects 27.54% of the maximum levy to be attributed to the top ten taxpayers, as set forth in the Table 6 below.

Table 6
Northwest Roseville Community Facilities District No. 1
Change in Security Base as a Result of Construction
Completed as of April 1, 1998
Based on Certificates of Occupancy

	1997-98 Levy	Estimated Share of Levy
Top Ten Percentage of Maximum Levy	35.65%	27.54%
Maximum Special Tax Levy on Developed Property	$2,299,473	
As a Percentage of Expected Debt Service	97.22%	

Table 7 below sets forth the potential revenue that could be generated through a levy of the projected Maximum Special Tax for fiscal year 1998-99 on single-family housing in the

District. Table 7 is based upon current active building permits within the District as of April 1, 1998.

Table 7
Northwest Roseville Community Facilities District No. 1
Residential Development Currently Under Construction
Based on Active Building Permits

Builder	Building Permits	Maximum Special Tax Levy*
Elliott Homes, Inc.	83	$47,725
U.S. Homes Corp.	32	18,400
John Mourier Construction Inc.	26	14,950
J&L Properties	21	12,075
Winncrest	12	6,900
Total	**174**	**$100,050**

* Assumes $575.00 per unit.
Source: City of Roseville.

As a result of construction expected to be completed, on the basis of on active building permits completed as of April 1, 1998, the District projects 24.87% of the maximum levy to be attributed to the top ten taxpayers, as set forth in the Table 8 below.

Table 8
Northwest Roseville Community Facilities District No. 1
Change in Security Base as a Result of Current Construction
Based on Active Building Permits Completed as of April 1, 1998

	1997-98 Levy	Estimated Share of Levy
Top Ten Percentage of Maximum Levy	35.65%	24.87%
Maximum Special Tax Levy on Developed Property	$2,399,523	
As a Percentage of Expected Debt Service	101.45%	

Estimated Debt Service Coverage

Table 9 below sets forth the debt service coverage for the Bonds from revenues that would be generated if Special Taxes were levied at the Maximum Special Tax Rates. See "SECURITY FOR THE BONDS – The Special Taxes" and "SPECIAL RISK FACTORS – Right to Vote on Taxes Act" and APPENDIX A – METHOD AND FORMULA FOR LEVY OF SPECIAL TAX."

Table 9
Northwest Roseville Community Facilities District No. 1
Debt Service Coverage

Bond Year Ending September 1	Estimated Maximum Special Tax Revenues[1]	Bond Debt Service	Estimated Debt Service Coverage
1999	$ 3,746,132.34	$ 2,365,615.50	1.58
2000	3,746,132.34	2,364,977.50	1.58
2001	3,746,132.34	2,367,377.50	1.58
2002	3,746,132.34	2,363,177.50	1.58
2003	3,746,132.34	2,367,577.50	1.58
2004	3,746,132.34	2,363,852.50	1.58
2005	3,746,132.34	2,363,477.50	1.58
2006	3,746,132.34	2,364,815.00	1.58
2007	3,746,132.34	2,363,430.00	1.58
2008	3,746,132.34	2,363,650.00	1.58
2009	3,746,132.34	2,365,150.00	1.58
2010	3,746,132.34	2,363,950.00	1.58
2011	3,746,132.34	2,363,275.00	1.58
2012	3,746,132.34	2,367,737.50	1.58
2013	3,746,132.34	2,363,637.50	1.58
2014	3,746,132.34	2,366,212.50	1.58
2015	3,746,132.34	2,364,987.50	1.58
2016	3,746,132.34	2,364,962.50	1.58
2017	3,746,132.34	2,365,900.00	1.58
2018	3,746,132.34	2,367,562.50	1.58
2019	3,746,132.34	2,364,712.50	1.58
2020	3,746,132.34	2,367,350.00	1.58
	$82,414,911.48	**$52,033,388.00**	

(1) See APPENDIX A – "METHOD AND FORMULA FOR LEVY OF SPECIAL TAX."

Source: City of Roseville

DIRECT AND OVERLAPPING BONDED DEBT

Contained within the boundaries of the District are numerous overlapping local agencies providing public services. The direct and overlapping debt of property within the District as of May 1, 1998 is shown in Table 10.

Table 10
Northwest Roseville Community Facilities District No. 1
Statement of Direct And Overlapping Bonded Debt
As of May 1, 1998

1997-98 Assessed Valuation: $593,286,001

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/98
Roseville Joint Union High School District	7.908%	$ 2,452,210
Dry Creek Joint School District	31.173	4,062,790
Roseville City School District	2.014	372,124
Roseville Northwest Community Facilities District No. 1	100.000	30,805,000[1]
City of Roseville Foothill Boulevard Extension Assessment District (Estimated)	44.973	1,951,828
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$39,643,952
OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Placer County General Fund Obligations	3.376%	$674,525
Sierra Joint Community College District Certificates of Participation	2.289	59,484
Roseville Joint Union High School District Certificates of Participation	7.987	257,181
Roseville City School District Certificates of Participation	2.045	86,095
City of Roseville Certificates of Participation	11.094	3,422,499
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		$4,499,784
COMBINED TOTAL DEBT		$44,143,736[2]

(1) Excludes issue to be sold.

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

Ratios to 1997-98 Assessed Valuation:

Direct Debt ($30,805,000) 5.19%
Total Direct and Overlapping Tax and Assessment Debt 6.68%
Combined Total Debt 7.44%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/97: $0

Source: California Municipal Statistics, Inc.

In addition to the bonded debt set forth above, new community facilities districts or special assessment districts may be formed and, upon approval of registered voters or landowners within such districts, may issue more bonds and levy additional special or other taxes or assessments. In addition to the Special Tax and special assessments, the property owners within the District will be required to pay the general *ad valorem* property tax.

SPECIAL RISK FACTORS

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 devise, the Special Taxes will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operative effect of these provisions has not been tested in the courts. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government, or another public agency, subject to the limitation of the Maximum Special Tax Rates, the Special Taxes will be reallocated to the remaining properties within the District. This would result in the owners of such properties paying a greater amount of the Special Tax and could have an adverse effect on the timely payment of the Special Tax. Moreover, if a substantial portion of land within the District becomes exempt from the Special Tax because of public ownership, ownership by a religious organization or otherwise, the Maximum Special Tax Rates which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due, the Reserve Fund could be depleted, and a default with respect to the payment of such principal and interest on the Bonds could occur.

Bankruptcy

The payment of Special Taxes and the ability of the City to foreclose the lien of a delinquent Special Tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditor's rights or by the laws of the State relating to judicial foreclosure.

The various legal opinions to be delivered concurrently with the delivery of 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, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien would then be treated as an unsecured claim by the court. Further, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full. The prosecution of foreclosure proceedings could also be delayed for other reasons, including crowded court calendars and procedural delaying tactics.

Disclosures to Future Purchasers

The District has recorded a Notice of Special Tax Lien in the Office of the County Recorder of the County. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective homebuyer, purchaser of commercial or industrial property or lender will consider such obligation for Special Taxes in the purchase of a home or the lending of money thereon. Failure to disclose the existence of the Special Taxes or the full amount of the *pro rata* share of debt on the land in the District may affect the willingness and ability of future owners of land within the District to pay the Special Taxes when due.

Billing of Special Taxes

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by the district.

Under provisions of the Act, the Special Taxes are billed to the properties within the District which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year 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 non-payment, as do regular property tax installments. These 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 installment payments of Special Taxes in the future. See "SECURITY FOR THE BONDS - 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 installments of Special Taxes.

Earthquakes

The City, like all California communities, may be subject to unpredictable seismic activity. The occurrence of seismic activity in the District could result in substantial damage to properties in the District which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes. Any major damage to structures as a result of seismic activity could result in a greater reliance on Undeveloped Property in the payment of Special Taxes.

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

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. 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 while they 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 issue 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. The City does not believe that any property therein has been in 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.

Hazardous Substances

The market value of the property in the District is subject to diminution upon the future release or discovery thereon of a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions 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 "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels be affected by a hazardous substance, would be to reduce the marketability and value 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 value of the property within the District does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The City has not independently verified, and is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the District resulting from the existence, currently, 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 adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

Cumulative Burden of Parity Taxes and Special Assessments

The Special Taxes constitute a lien against the parcels of land on which they have been levied. Such lien is on a parity with all special taxes levied by other agencies and is co-equal to and independent of the lien for general property taxes, regardless of when they are imposed upon the same property.

The City does not have control over the ability of other entities to issue indebtedness secured by *ad valorem* taxes, special taxes or assessments payable from all or a portion of the property within the District. In addition, the owners of property within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by *ad valorem* taxes, special taxes or assessments. Any such special taxes may have a lien on such property on a parity with the lien of the Special Taxes. See "DIRECT AND OVERLAPPING BONDED DEBT."

Limitations on Remedies

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

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or others similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Right to Vote on Taxes Act

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIIC ("Article XIIIC") and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative have not yet been interpreted by the courts, although a number of lawsuits have been filed requesting the courts to interpret various aspects of the Initiative.

Among other things, Section 3 of Article XIII states that "... the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." Proposition 218 provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, Proposition 218 prohibits a legislative body from adopting any resolution to reduce the

rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to Proposition 218 unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt.

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

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

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

Loss of Tax Exemption

As discussed under the caption "CONCLUDING INFORMATION - Tax Exemption," herein, interest on the Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the City in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to redemption and will remain Outstanding until maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Fiscal Agent Agreement.

CONCLUDING INFORMATION

Legal Opinions

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California, Bond Counsel. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement and expresses no opinion as to the matters set forth herein. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix B hereto and will accompany the Bonds. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and for the City and the District by City Attorney.

Tax Exemption

In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California, Bond Counsel, under exiting statutes, regulations, rulings and judicial decisions, 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 calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative maximum taxable liability of such corporations.

Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing on September 1, 2020 (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of such Discount Bond acquired at such initial offering price by an initial purchaser of each Discount Bond will be increased by the amount of such accrued discount.

The Code contains certain provisions relating to the accrual of original issue discount or premium in the case of purchasers of the Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of the Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the City, the Underwriter and others and is subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might 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. The City has covenanted to comply with all such requirements.

Should the interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Fiscal Agent Agreement.

Bond Counsel's opinion may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond and Bond Counsel expresses no opinion with respect thereto.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

Continuing Disclosure

The City has covenanted for the benefit of the Owners of the Bonds to provide annually certain financial information and operating data relating to the Bonds and the District (the "District Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. For a complete listing of items of information which will be provided in each Annual Report, see "APPENDIX D- FORM OF CONTINUING DISCLOSURE AGREEMENT." Such information is to be provided by the District not later than eight (8) months after the end of the City's fiscal year (which currently would be March 1), commencing with the report for the 1997-1998 Fiscal Year. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository and with each State Repository, if any. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

The City's obligations under the Continuing Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds. The provisions of the Disclosure Agreement are intended to be for the benefit of the owners of the Bonds and beneficial owners of the Bonds and in order to assist the participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) and shall be enforceable by the owners of Bonds, provided that any enforcement action by any such person shall be limited to a right to obtain specific enforcement of the City's obligations under the Disclosure Agreement and any failure by the City to comply with the provisions thereof shall not be an event of default under the Resolution.

Litigation

At the time of delivery of and payment for the Bonds, the City will certify that, there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the City threatened, against the City or the District in any material respect affecting the existence of the District or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or

delivery of the Bonds or challenging directly or indirectly the proceedings to levy the Special Taxes or issue the Bonds.

Verification of Mathematical Computations

Deloitte & Touche LLP, will verify, from the information provided to them by the Underwriter on behalf of the District, the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determined that the anticipated receipts from the securities and cash deposits listed in the Underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Prior Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that interest on the Bonds is excluded from gross income for federal income tax purposes. Deloitte & Touche LLP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

Underwriting

The Bonds are being purchased by PaineWebber Incorporated (the "Underwriter"). Pursuant to a Purchase Contract between the Underwriter and the District (the "Purchase Contract"). The Underwriter has agreed to purchase all of the Bonds for an aggregate Purchase price of $30,574,532.15, subject to certain conditions set forth in the Purchase Contract. The purchase price reflects an Underwriter's discount of $268,587.20. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than the public offering prices set forth on the cover of this Official Statement.

Ratings

Moody's Investors Service and Standard & Poor's Ratings Service have assigned the Bonds the ratings set forth on the cover page hereof, based on the issuance of the Municipal Bond Insurance Policy by Financial Security. Such ratings reflect only the view of such organizations, and an explanation of the significance of the ratings may be obtained by contacting them at: Moody's Investors Service, 99 Church Street, New York, New York 10007, and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 25 Broadway, New York, New York 10004. Such ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Miscellaneous

The quotations from, and the summaries and explanations of the Fiscal Agent Agreement and other statutes and documents contained herein do not purport to be complete, and reference

is made to such documents and statutes for the full and complete statements of their respective provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the District. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the District.

This Official Statement does not constitute a contract with the purchasers of the Bonds.

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

The execution and delivery of this Official Statement by the City has been duly authorized by the City Council of the City of Roseville on behalf of the District.

CITY OF ROSEVILLE

By: /s/ Allen E. Johnson
City Manager of the City of Roseville

APPENDIX A

METHOD AND FORMULA FOR LEVY OF SPECIAL TAX

CITY OF ROSEVILLE
NORTHWEST ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1

METHOD AND FORMULA FOR LEVY OF SPECIAL TAX
FOR NORTHWEST ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1

MAXIMUM ANNUAL TAX

Single-Family Uses

For the single-family uses within the Northwest Roseville Community Facilities District No. 1 ("CFD"), the maximum, annual, special tax is shown on Table B-1. The tax is to be applied on a per-unit basis, based on the total number of single-family units created and/or planned within the CFD. If the subdivision of any single-family parcel listed on Table B-1 creates less units than planned therefor, the per-unit tax for the units therein may be changed based on the number of units actually realized thereby and the owner's ability to transfer any of the excess units to other parcels within the CFD (as explained below). In no event, however, may the maximum tax exceed the amount shown as the maximum tax per-parcel.

Other Land Uses

For the multi-family, commercial and office uses within the CFD, the maximum, annual, special tax (the "maximum tax") is described below on a per-parcel basis, based on the parcels shown on the map of the CFD attached as Figure 1 hereto and identified as multi-family, commercial and office on Table B-2 hereto. (If changes in expected land use occur, this maximum tax may be subject to change, as explained below.) Upon subdivision or parcel split of any kind, the maximum tax shall be apportioned on the new multi-family, commercial or office parcels proportionately to the number of units (for multi-family) or area (for commercial or office), excluding therefrom any land area presently intended for use as public streets, public park, public schools or other publicly owned facilities. In the event that additional property is dedicated to the City or other public entities, in addition to the property to be dedicated pursuant to the Financing Plan and the Northwest Roseville Specific Plan, this additional property might become exempt from the special tax.

Public Use and Urban Reserve Property

Attached hereto as Table B-3 is a list of the areas of the CFD, by numbered parcel, which are presently intended for public use and hence have been exempted from the levy of the maximum tax. Also included is a list of parcels currently designated as Urban Reserve and until the City approves any such property for development, such parcels shall also be exempted from the levy of the maximum tax.

Should any of these areas become subject to private development, they shall become subject to the special tax, from the time the appropriate public agency acts to permit the property to become available for private development, at the unit or acreage rate (for such approved private use) shown on Table B-3. The additional special tax revenue to be generated thereby shall be added to the Total Maximum Tax defined below (and, as applicable, to the Total Maximum Annual Tax For Single-Family Parcels shown on Table B-1, hereinafter referred to as the "Total Maximum for Single-Family"), except to the extent it is being credited to a transferring parcel as described below.

LAND USE CHANGE AND TRANSFER OF UNITS

As shown on Tables B-1 and B-2, the special tax has been calculated based on expected land uses for each of the parcels described on the map attached as Figure 1. Should land use change from any of those shown on said tables from a lower taxed use to a higher, the gross maximum tax shall be increased accordingly (based on the higher rate) on the parcel(s) affected to the extent of the change in use. In addition, the Total Maximum Tax defined below shall be increased by the amount of such increase for such parcel. Should a parcel's land use change to a lower taxed use, no adjustment in the maximum tax shall be made.

As development and subdivision of the parcels within the CFD and described on Figure 1 take place, the Office of the Finance Director will maintain a file of each parcel, along with the assessor's parcel number(s) associated therewith, its maximum tax (based on Tables B-1 and B-2) and the total authorized maximum tax on all parcels within the CFD (the "Total Maximum Tax"). This record shall be available for public inspection and shall show the maximum tax on all predecessor parcels and a brief description of the process of subdividing parcels and reapportioning the maximum tax each time a predecessor parcel was split or subdivided, including any adjustment due to change in use.

In particular, upon the subdivision of each single-family parcel listed on Table B-1, the Finance Director shall revise the entry for the total number of units within such parcel, as appropriate, and shall make a <u>special note</u> of those parcels whose subdivision creates fewer units than listed in Table B-1. The Finance Director shall make <u>no</u> revision to the entry for the maximum tax per-parcel related thereto <u>unless</u> such subdivision results in fewer units <u>and</u> some (or all) of the units that represent the difference between the number of units shown in Table B-1 and the number of units realized by such final subdivision of such parcel (the "excess units") are transferred to other parcels within the CFD. In the event a final subdivision map for a single-family parcel listed on Table B-1 will decrease the number of dwelling units shown therefor (the "transferring parcel"), the landowner thereof may propose to transfer the excess units to another parcel (or parcels) within the CFD, with respect to which parcel a final subdivision map has not then been recorded. Each parcel proposed to receive such excess units (the "receiving parcel") shall require approval by the City of an amendment of the Northwest Roseville Specific Plan for such receiving parcel. If the necessary amendment for the receiving parcel and the proposed transfer are approved by the City for such excess units (or some of them) <u>prior to</u> the recordation of the final subdivision map of the transferring parcel, then the maximum tax associated with the excess units transferred to the receiving parcel (based on the anticipated per-unit amount for such

transferring parcel in Table B-1) shall be added to the maximum per-parcel tax for such receiving parcel in Table B-1, and, only upon such subdivision and transfer, the entry for the maximum per-parcel tax in Table B-1 for the transferring parcel shall be reduced by the corresponding amount assumed by the receiving parcel. Any such changes in the parcels' respective maximum per-parcel taxes as a result of such density transfers shall have no effect on the Total Maximum Tax for the CFD.

Parcel No.	Use Category	Number of Units	Approximate Acreage Taxable Land	Owner
32	Single-Family Residential	203	50.079	Elliott Homes, Inc.
34	Commercial		19.861	Marvin L. Oates; Philip D. Oates
42	Single-Family Residential	70	18.6	John Mourier Construction, Inc.
47	Multi-Family Residential	71	7.1	John Mourier Construction, Inc.
55	Multi-Family Residential	246	11.678	Elliott Homes, Inc.
58	Single-Family Residential	148	26.646	Elliott Homes, Inc.
61	Single-Family Residential	132	28.391	Richmond American Homes of California, Inc.
62	Single-Family Residential	265	59.156	Calton Homes of California, Inc.
63	Single-Family Residential	244	56.283	Elliott Homes, Inc.
64	Commercial		7.486	Elliott Homes, Inc.
66	Single-Family Residential	244	59.318	Elliott Homes, Inc.

Parcel No.	Use Category	Number of Units	Approximate Acreage Taxable Land	Owner
67	Business Professional		8.674	Elliott Homes, Inc.
68	Commercial		13.425	Elliott Homes, Inc.
69	Commercial		12.680	Elliott Homes, Inc.
70	Business Professional		8.726	Elliott Homes, Inc.
72	Single-Family Residential	81	26.029	Elliott Homes, Inc.
77	Business Professional		31.590	Calton Homes of California, Inc.
86	Commercial		13.145	Foothill/Junction Investors, A California General Partnership
89	Multi-Family Residential	314	19.510	Elliott Homes, Inc.
90	Multi-Family Residential	100	7.566	Elliott Homes, Inc.
91	Multi-Family Residential	100	6.006	Sammis Roseville Associates
95	Single-Family Residential	85	32.139	Sammis Roseville Associates
96	Single-Family Residential	156	56.503	Sammis Roseville Associates
	TOTAL	3,865	1,258.000	

Parcel 91 is being sold by Sammis Roseville Associates to Dale A. Williams; escrow is estimated to close on or about March 1, 1990.

CALCULATION OF THE ANNUAL TAX

The annual tax rates in any given year must be established by the City Council. City staff will recommend the rates based on the following steps:

1. Annually, no later than the first City Council meeting in July, the City Council shall determine all amounts necessary to pay current scheduled debt service on all outstanding bonds (including all scheduled mandatory sinking fund payments), to pay all annual and current expenses of administering the Community Facilities District (the City shall specify an estimate for the annual expenses in each levy), to cure any delinquencies in the payment of principal or interest on the bonds which have occurred or (based on delinquencies in the payment of special taxes which have already taken place) will occur in the Fiscal Year in which the tax will be collected, to replenish the reserve account to the reserve requirement as necessary (including, in the replenishment, charges against the reserve account which will be necessary in the future because of delinquencies in the payment of special taxes which have already taken place), and to use special tax proceeds directly for authorized projects only as specified in Step 4 below. Special tax proceeds may be accumulated to pay debt service so long as such proceeds are handled in such a fashion as not to cause the bonds to become arbitrage bonds under the Tax Reform Act of 1986, as may be amended.

2. The total amount to be levied will then be stated as a percentage of the Total Maximum Tax (as may be amended). The tax levy on each multi-family, commercial and office parcel shall be that same percentage of its maximum tax. The tax levy on each single-family unit (except for those units within Parcels 22 and 42) shall be determined by taking that same percentage of the Total Maximum for Single-Family (as may be amended from time to time in the event additional units are created within the CFD), and dividing such percentage by the total number of units created or planned within the CFD (the "per-unit levy"); the tax levy for the single-family units within Parcels 22 and 42 shall be equal to 79% times the per-unit levy. For purposes of determining the number of single-family dwelling units within the CFD, in addition to the number of such units built therein, the number of single-family lots that have been created by recordation of final subdivision maps within the CFD and, for those parcels listed on Table B-1 that have not been subdivided, the number of dwelling units designated by Table B-1 therefor, shall be included, provided that for purposes of such total, the amount equal to 79% of the units within Parcels 22 and 42 shall be included therein because the tax levy associated with such units will be 79% of the per-unit levy. If a partial final subdivision map is recorded for any single-family parcel, the number of units in the parcel shall be deemed to be equal to the number of units created by such subdivision plus the number of units shown on the approved tentative subdivision map for the balance of the parcel. For those single-family parcels that have not then been subdivided at the time of the levy of the tax, the tax levy shall be equal to the per-unit levy times the number of units planned for such parcel, as shown on Table B-1.

3. With respect to the special tax to be levied on single-family dwelling units, if the special tax rate is greater than the anticipated maximum for any of the units, as such anticipated maximums are listed on Table B-1, the special tax for the single family units shall be redetermined as follows:

(i) With respect to those units that have been created by the subdivision of parcels at a lesser density than originally designated on Table B-1 (and with respect to which the Director of Finance has made a special note), the special tax for each such unit shall be redetermined by multiplying the percentage of Total Maximum Tax determined in Step 1 above times the maximum per-parcel tax stated in Table B-1 for the parcel in which such unit is located (as such per-parcel maximum may be amended due to a transfer of units) and then dividing such product by the actual number of units within such parcel.

(ii) The special tax levy for the remaining single-family units not affected by (i) above shall then be equal to the balance of the special tax levy to be raised by the single-family units (based on the difference between the percentage of the Total Maximum for Single-Family determined in Step 2 above and the sum of the amounts redetermined pursuant to (i) above) divided by the total number of remaining unaffected single-family units with the CFD (except for any such unaffected units within Parcels 22 and 42, such levy shall be set at 79% times such redetermined per-unit tax levy).

4. During the first four (4) years of such calculation and levying of the special tax, in order to raise any funds that may become necessary for the construction of golf course improvements (as such improvements are described in the Supplemental List of Improvements), the City may include in the special tax an amount for said golf course improvements. Such amount shall be apportioned proportionately among the units and parcels within the CFD, up to, but not in excess of, the Total Maximum Tax, provided the total amount for such golf course improvements shall not exceed TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000) per annum.

PREPAYMENT OF SPECIAL TAX

Property owners may permanently satisfy the Special Tax obligation of a parcel by a cash settlement with the City as permitted under Government Code Section 53344, provided any such prepayment shall be permitted only under the following conditions:

A. A final subdivision map for a single-family parcel or a parcel map (or other such legal land division) for any other parcel within the CFD proposed to be released has been recorded in conformance with the requirements of the Subdivision Map Act;

B. With respect to the release of a single-family parcel, any such prepayment may be made only upon (and at no time prior to or after) recordation of the final subdivision map creating the single-family lots within such parcel. With respect to the release of a multi-family, commercial or office parcel (or a parcel subject to the Special Tax and acquired by a public agency), any such prepayment may be made upon, or at any time after, the recordation of the parcel map (or other such legal land division) creating such parcel; and

C. 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, and that the administration of such prepayment would not be inefficient or burdensome for the City.

Notwithstanding any prepayment of the Special Tax and permanent satisfaction thereof for any parcel (a "release parcel"), each released parcel shall continue to be included within the boundaries of the CFD. For example, notwithstanding any such prepayment, in the event the City approves a change in the amount and/or allocation of the special tax, which would increase the maximum annual special tax of a released parcel, and such change is approved by the qualified electors of the CFD, then the additional increment of such special tax associated with such change and allocable to the released parcel may be levied on and collected therefrom.

Calculation of Prepayment

In the event the above conditions are satisfied, the prepayment amount shall be established by the following calculation:

1. The maximum annual special tax for the Parcel, based on Tables B-1, B-2 and B-3, shall be determined.

2. Such maximum annual special tax may be reduced by the average annual tax delinquency rate for property in the CFD. If no delinquency history has been established for the special tax, the City may reduce the maximum special tax by the most recent five-year average annual delinquency rate for secured property taxes in the City as a whole, provided that by doing so the City's ability to make timely payments of debt service in subsequent years is not jeopardized thereby. The maximum special tax may be reduced still further if all bonds of the CFD have been issued and the future debt service through the maturity of all outstanding bonds is known with certainty, except that the tax shall not be reduced below the amount determined by the City as necessary to pay the parcel's share of the annual debt service on outstanding bonds and the annual expenses of administering the CFD.

3. The annual revenue produced by the special tax each year from the date of prepayment to and including the last maturity date of outstanding bonds, based on the tax determined in Step 2, shall be calculated.

4. The present value of the annual revenue stream determined in Step 3 shall be calculated using a discount rate which, when the prepayment is invested in approved investments (as specified by the resolution authorizing the issuance of bonds) earning a rate of interest equal to the discount rate, would produce the annual revenue stream determined in said Step 3. The discount rate may not exceed the bond yield as determined by the Tax Reform Act of 1986, as may be amended.

5. The prepayment amount shall be equal to the present value calculated in Step 4, plus the amount of any fees or expenses incurred by the City in connection with the prepayment calculation and the amount of any fees or expenses anticipated in connection with the application or administration of the proceeds of the prepayment, plus the amount of any and all delinquent special taxes and penalties associated with such parcel.

Application of Prepayment

The proceeds of the prepayment may be applied by the City in its discretion by one of the following methods:

(i) As an annuity over the remaining life of outstanding bonds, for the payment of debt service and annual expenses of the CFD. The annuity must be handled in such a fashion as not to cause the bonds to become arbitrage bonds under the Tax Reform Act of 1986, as may be amended.

(ii) To call bonds as may be provided for by the resolution authorizing the issuance of bonds by the CFD. If this application is selected by the City, the amount of any call premiums and other expenses in connection therewith shall be included in the prepayment amount as an expense of administering the proceeds of the prepayment.

(iii) To be applied in full to the next annual special tax levy, provided that by doing so the City's ability to make timely payments of debt service in subsequent years is not jeopardized thereby. This method may be used only if the amount of the prepayment is such that its application to options (i) and (ii) would be inefficient or burdensome for the City, as determined by the Director of Finance.

TABLE B-1

SINGLE-FAMILY MAXIMUM ANNUAL TAX

Parcel	Anticipated Maximum Tax Per-Unit*	No. of Units	Maximum Tax Per-Parcel
1	$575.00	272	$ 156,400
2	575.00	181	104,075
3	575.00	189	108,675
4	575.00	418	240,350
7	575.00	77	44,275
8	575.00	120	69,000
23	575.00	204	117,300
26	575.00	103	59,225
28	575.00	348	200,100
32	575.00	203	116,725
58	575.00	148	85,100
61	575.00	134	77,050
62	575.00	265	152,375
63	575.00	244	140,300
66	575.00	244	140,300
72	575.00	81	46,575
95	575.00	85	48,875
96	575.00	156	89,700
22	455.00	325**	147,875
42	455.00	77**	35,035
TOTAL UNITS		3,789**	
TOTAL MAXIMUM ANNUAL TAX FOR SINGLE-FAMILY PARCELS			$2,179,310

* The Anticipated Maximum Tax per unit is based on the Maximum Tax per Parcel divided by the planned number of units to be created upon the subdivision thereof. The actual per-unit tax for any of the above parcels may be greater than the listed amount in the event the subdivision thereof creates fewer units than planned.

** Because only 79% of the per-unit tax levy calculated pursuant to Step 2 will be assessed against the units within Parcels 22 and 42, only 79% of the units therein are included in the summation of the number of units above, as reflected in the Total Units entry at the conclusion of said column.

TABLE B-2

MULTI-FAMILY, COMMERCIAL AND OFFICE PARCELS MAXIMUM ANNUAL TAX

Multi-Family

Parcel	Maximum Tax Per-Parcel
9	$58,202
17	31,940
55	87,303
89	111,436
90	35,489
91	42,942
47	20,373
Total Multi-Family Tax	$387,685

Commercial

Parcel	Maximum Tax Per-Parcel
5	$72,233
11	75,516
15	70,920
27	98,499
64	43,996
68	78,799
69	68,293
86	84,053
18	74,450
34	129,960
Total Commercial Tax	$796,719

Office

Parcel	Maximum Tax Per-Parcel
67	$45,686
70	45,686
77	139,913
19	59,585
Total Office Tax	$290,870
TOTAL MAXIMUM ANNUAL TAX FOR MULTI-FAMILY, COMMERCIAL AND OFFICE PARCELS	$1,475,274
TOTAL MAXIMUM ANNUAL TAX FOR CFD	$3,654,584

TABLE B-3
PUBLIC USES AND URBAN RESERVE

Parcels Intended for Public Use

6, 14, 20, 21, 24, 25, 29, 30. 38, 65, 71, 74, 75, 78, and 79.

Parcels Designated as Urban Reserve

73 and 76.

Maximum Tax Rates to Be Applied to Any Approved Private Development of Any Public Parcels or Urban Reserve

Use	Special Tax Area 1*	Special Tax Area 2
Single-Family	$575/unit	$455/unit
Multi-Family	$355/unit	$290/unit
Commercial	$6,560/acre	$6,525/acre
Office	$5,705/acre	$5,670/acre

Maximum Tax Rate for any uses approved for development in the Urban Reserve portion of the CFD shall be set at the rates above for development of parcels in Area 1.

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

July __, 1998

City of Roseville
311 Vernon Street
Roseville, California 95678

OPINION: $32,030,000 City of Roseville Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds

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 $32,030,000 City of Roseville Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 533,11 et seq., of the California Government Code) (the "Act"), a Fiscal Agent Agreement, dated as of July 1, 1998 (the "Fiscal Agent Agreement"), by and between the City on behalf of the City of Roseville Northwest Roseville Community Facilities District No. 1 and U.S. Bank Trust 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.

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,

EXHIBIT 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

"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 refunding of the Prior 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 Director of Finance, 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 Insurer" means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, as insurer of the Bonds.

"Bond Year" means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 1998.

"Bonds" means the City of Roseville Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds 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 July 1, 1998, by and among the City and U.S. Bank Trust 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 and the refunding of the Prior 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.

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

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

"Escrow Agent" means U.S. Bank Trust National Association, and its successor and assigns, acting as escrow agent under the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement, dated as of July 1, 1998, by and between the City and the Escrow Agent, as amended from time to time.

"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.

"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.

"Insurance Policy" means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal and interest on the Bonds when due.

"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 which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (c) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated. THESE MAY CONSTITUTE DEFEASANCE OBLIGATIONS.

(b) Federal Housing Administration debentures.

(c) The listed obligations of government-sponsored agencies which are <u>not</u> backed by the full faith and credit of the United States of America:

Federal Home Loan Mortgage Corporation (FHLMC);

Participation certificates (excluded are stripped mortgage securities) which are purchased at prices exceeding their principal amounts); Senior Debt obligations;

Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives); Consolidated system-wide bonds and notes;

Federal Home Loan Banks (FHL Banks); Consolidated debt obligations;

Federal National Mortgage Association (FNMA); Senior debt obligations; Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

Student Loan Marketing Association (SLMA); Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

Financing Corporation (FICO); Debt obligations;

Resolution Funding Corporation (REFCORP); Debt obligations.

(d) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.

(e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million.

(f) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

(g) Money market funds rated "Aam" or "AAm-G" by S&P, or better.

(h) "State Obligations," which means:

A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the secured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1" by S&P and "MIG 1" by Moody's; and

C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

(i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

A. The municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

B. The municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

C. The principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

D. The cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

E. No substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

F. The cash or United States Treasury Obligations are not available to satisfy any other claims including those by or against the trustee or escrow agent.

(j) Repurchase agreements:

With (1) an domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or related affiliated thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Insurer, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

B. The Trustee or a third party acting solely as agent therefore or for the Issuer (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

C. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. All other requirements of S&P in respect of repurchase agreements shall be met; and

E. The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision) collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement.

A. Interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

B. The invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Issuer and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

C. The investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. The Issuer or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Issuer and the Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Insurer;

E. The investment agreement shall provide that if during its term

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims that market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A-3," respectively, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Trustee.

F. The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. The investment agreement must provide that if during the term

(i) the provider shall default in is payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued buy unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate.

(l) Shares in the California Asset Management Program.

"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.

"Prior Bonds" means the City of Roseville Northwest Roseville Community Facilities District No. 1 Special Tax Bonds, issued on December 20, 1989, in the original principal amount of $33,720,000.

"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 Fund Credit Instrument" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's.

"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 of Formation" means Resolution No. 89-109, adopted by the City Council of the City on July 5, 1989, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"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.

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 Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding 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 10 Business Days prior to each Interest Payment Date, the City shall withdraw from the Special Tax Fund and transfer (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, and (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. From time to time, the City shall withdraw from the Special Tax Fund 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.

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 Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding 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 Director of Finance 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 Director of Finance 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 Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding 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 Director of Finance.

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, 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.

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 Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding 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 Director of Finance 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 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 shall in no way affect the obligations of the Treasurer under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Director of Finance 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 Director of Finance, 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 Prior Bonds or 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.

Default. If the City shall (i) fail to pay principal or interest or premiums on the Bonds when due and payable as provided in the Fiscal Agent Agreement or (ii) fail to observe any of the other covenants, agreements or conditions on its part contained in the Fiscal Agent Agreement or in the Bonds and such failure shall continue for a period of 30 days after notice thereof has been provided to the City by the Bond Insurer or the Fiscal Agent, such failure shall constitute a default under the Fiscal Agent Agreement and, in such event, the Bond Insurer shall be deemed the sole Owner of the Bonds and shall be entitled to pursue any available remedy under the Fiscal Agent Agreement or at law or in equity to enforce the payment of the Bonds or to enforce such rights of the Owners of the Bonds contained in the Fiscal Agent Agreement or in 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, however, that moneys in the Prepayment Account shall be invested in Permitted Investments described in clause (a) thereof. 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.

Notwithstanding anything in the Fiscal Agent Agreement to the contrary, so long as the Bonds are insured by the Bond Insurer, any investment purchase with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity of not greater than five years and any investment purchased with funds in the Prepayment Account shall mature not later than the date of redemption of Bonds to be redeemed with such funds.

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 identify to the Treasurer the person or entity that will be responsible for doing rebate calculations with respect to the Bonds (the "Rebate Calculation Agent") (which person or entity, and any successors thereto, shall be acceptable to the Treasurer), and shall confer with the Treasurer with respect to any proposed change in such person or entity. 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 Treasurer, 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 Treasurer 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, and subject to supervision or examination by federal or state authority. Additionally, the Bond Insurer may remove the Fiscal Agent at any time by the giving of 30 days' written notice of such removal to the City and the Fiscal Agent, whereupon the City shall appoint a successor Fiscal Agent by an instrument in writing with the prior written consent of the Bond Insurer.

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 45 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, with the written consent of the Bond Insurer, 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. Any such amendment may not 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, with the written consent of the Bond Insurer, 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.

A copy of any modification, amendment or supplement to the Fiscal Agent Agreement, whether with or without the consent of the Owners, shall be sent to Standard & Poor's Ratings Services and Moody's Investors Service, Inc. at least 10 days prior to the effective date thereof.

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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement") is dated as of July 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 "City"), and U.S. Bank Trust 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");

W I T N E S S E T H :

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of July 1, 1998, by and between the City and the Fiscal Agent (the "Fiscal Agent Agreement"), the City has issued its City of Roseville Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds (the "Series 1998 Bonds"), in the aggregate principal amount of $32,030,000; 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 Series 1998 Bonds and in order to assist the underwriter of the Series 1998 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. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement. In addition, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 hereof.

"Disclosure Representative" means the City Manager or his or her designee, or such other person as the City shall designate in writing to the Fiscal Agent from time to time.

"Dissemination Agent" means 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" means any of the events listed in Section 4(a) hereof.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" means the Official Statement, dated July 17, 1998, relating to the Series 1998 Bonds.

"Participating Underwriter" means any of the original underwriters of the Series 1998 Bonds required to comply with the Rule in connection with offering of the Series 1998 Bonds.

"Repository" means each National Repository and each State Repository.

"Rule" means Rule 15c212(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 Repository" means any public or private repository or entity designated by the State of California 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, provide to each Repository an Annual Report which is consistent with the requirements of Section 3 hereof, not later than eight months after the end of the City's fiscal year (which currently would be March 1) (the "Annual Report Date"), commencing with the report for the 1997-98 fiscal year. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 4(f) hereof.

(b) Not later than 15 business days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the City shall provide the Annual Report to the Dissemination Agent and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). If by such date, the Fiscal Agent has not received a copy of the Annual Report, the Fiscal Agent shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Fiscal Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Fiscal Agent shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, 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 each State Repository, if any;

(ii) provide any Annual Report received by it to each Repository, as provided herein; and

(iii) file a report with the City and (if the Dissemination Agent is not the Fiscal Agent) the Fiscal Agent 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 incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to that used for the City's audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of Bonds Outstanding as of the September 30 next preceding the Annual Report Date.

(ii) The amount on deposit in the Reserve Fund, and a statement of the Reserve Requirement, as of the September 30 next preceding the Annual Report Date.

(iii) A summary of the Special Tax levies by category of development and assessed lien-to-value ratios in form substantially similar to that set forth in Table 1 on page 27 of the Official Statement

(iv) A land ownership summary listing property owners responsible for more than 1% of the Special Tax levy as shown on the assessment roll next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within the District owned by such property owners, the assessed value of such property, as shown on such assessment roll, and a statement of assessed value to District lien ratios therefor; provided, however, that if more than ten property owners are each responsible for more than 1% of such Special Tax levy, such information need only be provided for the ten property owners responsible for the greatest portion of such Special Tax levy in form substantially similar to that provided in the Table 2 on page 28 of the Official Statement.

(v) A summary of the Special Tax levies and assessed lien-to-value ratios in form substantially similar to that set forth in Table 3 on page 30 of the Official Statement

(vi) The percentage of the amount of Special Tax levied for the preceding fiscal year that remains unpaid as of the September 30 next preceding the Annual Report Date, the number of parcels within the Community Facilities District delinquent in payment of Special Taxes as of the September 30 next preceding the Annual Report Date, the amount of each delinquency, the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the City; provided, however, that parcels with delinquencies of $2,500 or less may be grouped together and such information may be provided by category.

(vii) A summary of the estimated annual debt service on the Bonds and the coverage produced by the maximum authorized Special Tax, based upon building permits issued as of the July 1 next preceding the Annual Report Date, substantially similar to that provided in Table 9 on page 34 of the Official Statement.

(viii) The status of foreclosure proceedings and a summary of the results of any foreclosure sales as of the September 30 next preceding the Annual Report Date.

(ix) The identity of any property owner representing more than 5% of the Special Tax levy delinquent in payment of Special Taxes as of the September 30 next preceding the Annual Report Date.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Community Facilities District or related public entities, which have been submitted to 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, 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:

(i) Principal and interest payment delinquencies.

(ii) Nonpayment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.

(vii) Modifications to rights of security holders.

(viii) Contingent or unscheduled bond calls.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the securities.

(xi) Rating changes.

(b) The Fiscal Agent shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events, 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).

(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 be material under applicable Federal securities law.

(d) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, 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 law, 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 Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Fiscal Agent Agreement.

(g) Neither the Fiscal Agent nor the Dissemination Agent shall have any responsibility hereunder to determine the materiality of any Listed Event.

Section 5. Termination of Reporting Obligation. The City's obligations 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.

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 by providing 30 days written notice to the City. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City. The Dissemination Agent shall have no duty to prepare any information or report, nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Fiscal Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the City so long as such amendment does not adversely affect the rights or obligations of the Fiscal Agent or the Dissemination Agent), 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 Sections 2(a), 3 or 4(a) hereof it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Fiscal Agent or nationally recognized bond counsel, materially impair the interests of holders.

(d) If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial statements or information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 4(f) hereof.

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 Disclosure 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 or the Fiscal Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series 1998 Bonds, shall), or any holder or beneficial owner of the Series 1998 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Fiscal Agent, as the case may be, 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 Fiscal Agent 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.

Section 10. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. Article VII of the Fiscal Agent Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Fiscal Agent Agreement, and the Fiscal Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Fiscal Agent thereunder. The

Fiscal Agent and the Dissemination Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees, as agreed to by the City from time to time, and shall be reimbursed for all reasonable expenses, legal fees and advances made or incurred by it in the performance of its duties hereunder. Neither the Dissemination Agent nor the Fiscal Agent shall have any duty or obligation to review any information provided to it hereunder.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Series 1998 Bonds, and shall create no rights in any other person or entity.

Section 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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

CITY OF ROSEVILLE, on behalf of the Northwest Roseville Community Facilities District No. 1

By: _____
City Manager

U.S. BANK TRUST NATIONAL ASSOCIATION, as Fiscal Agent

By: _____
Authorized Officer

U.S. BANK TRUST NATIONAL ASSOCIATION, as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Roseville
Name of Bond Issue:	City of Roseville Northwest Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds
Date of Issuance:	July 29, 1998

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Northwest Roseville Community Facilities District No. 1 has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.16 of the Fiscal Agent Agreement, dated as of July 1, 1998, by and between the City and U.S. Bank Trust National Association, as Fiscal Agent. The City anticipates that the Annual Report will be filed by

Dated:

, as
Fiscal Agent, on behalf of City of Roseville Northwest Roseville Community Facilities District No. 1

cc: City of Roseville

APPENDIX E

FORM OF MUNICIPAL BOND INSURANCE POLICY

FINANCIAL SECURITY ASSURANCE℠

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SAMPLE

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

SPECIMEN

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (California Insurance Guaranty Association)

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the Insurance provided by this Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By

Authorized Officer

SPECIMEN

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022
(212) 826-0100

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ISSUER: CITY OF ROSEVILLE